

R 75th YEAR

\$4.25

# CURRENT HISTORY

A WORLD AFFAIRS JOURNAL

MARCH, 1989

## South America, 1989

- The United States and South America: The Challenge of Fragile Democracy  
—Howard J. Wiarda and Ieda Siqueria Wiarda 113
- Brazil's Transition to Democracy—Riordan Roett 117
- Debt and Politics in Venezuela—Judith Ewell 121
- Colombia's Search for Peace—John D. Martz 125
- The Chilean Plebiscite: Defeat of a Dictator  
—Arturo Valenzuela and Pamela Constable 129
- Campaigning for President in Argentina—Gary W. Wynia 133
- Ecuador Swings Toward Social Democracy—Catherine M. Conaghan 137
- 
- Books Reviews—On South America 142
- The Month in Review—Country by Country, Day by Day 155
- Map—South America—Inside Back Cover



MAR 01 1989

# Current History

FOUNDED IN 1914

MARCH, 1989  
VOLUME 88 NO. 536

Editor:

CAROL L. THOMPSON

Associate Editor:

R. SCOTT BOMBOY

Consulting Editors:

MARY M. ANDERBERG

VIRGINIA C. KNIGHT

Contributing Editors:

ROSS N. BERKES

University of Southern California

O. EDMUND CLUBB

U.S. Foreign Service Officer (retired)

DAVID B. H. DENOON

New York University

JOHN ERICKSON

University of Edinburgh

MARSHALL I. GOLDMAN

Wellesley College

NORMAN A. GRAEBNER

University of Virginia

KENNETH W. GRUNDY

Case Western Reserve University

OSCAR HANDLIN

Harvard University

CARL G. JACOBSEN

Stockholm International Peace

Research Institute

RICHARD H. LEACH

Duke University

RAJAN MENON

Lehigh University

NORMAN D. PALMER

University of Pennsylvania, Emeritus

JAN S. PRYBYLA

Pennsylvania State University

JOHN P. ROCHE

Fletcher School of Law and Diplomacy

A. L. ROWSE

All Souls College, Oxford, Emeritus

ALVIN Z. RUBINSTEIN

University of Pennsylvania

AARON SEGAL

University of Texas

VACLAV SMIL

University of Manitoba

RICHARD F. STAAR

Hoover Institution

ARTURO VALENZUELA

Georgetown University

President and Publisher, 1955-1988:  
DANIEL G. REDMOND JR.

President and Publisher:  
D. MARK REDMOND

Vice President:  
ELBERT P. THOMPSON

# Coming Next Month

## East Asia

April, 1989

An increasingly important region in terms of global economics and security, East Asia, is discussed in our next issue. Political and economic changes in South Korea, Taiwan and the Philippines; the struggle for peace in Cambodia; the change of government in Burma; and the face of communism in Vietnam are analyzed. A review of United States policy in the region is included.

### United States Policy in East Asia

by NORMAN D. PALMER, University of Pennsylvania,  
Emeritus

### South Korea

by YOUNG WHAN KIH, Iowa State University

### Cambodia

by ELIZABETH BECKER, Author: *When the War Was Over:  
Voices of Cambodia's Revolution and Its People*

### Taiwan

by JOHN COPPER, Rhodes College

### Vietnam

by WILLIAM DUKER, Pennsylvania State University

### The Philippines

by BELINDA A. AQUINO, University of Hawaii

### Burma

by DAVID I. STEINBERG, Author: *Burma: The Road toward  
Development, Growth and Ideology under Military Rule*

\$4.25 a copy • \$29.00 a year

Canada \$33.50 a year • Foreign \$33.50 a year

Please see back cover for quantity purchase rates.

## NO ADVERTISING

Current History (ISSN-0011-3530) is published monthly (except June, July and August) for \$29.00 per year by Current History, Inc. Publication Office, 4225 Main Street Philadelphia, Pa. 19127; Editorial Office, 3740 Creamery Rd., Furlong, Pa. 18925. Second class postage paid at Phila., Pa., and additional mailing offices. Postmaster: send address changes to *Current History*, 4225 Main Street, Philadelphia, Pa. 19127. Indexed in *The Reader's Guide to Periodical Literature*, *the Abridged Reader's Guide*, *Book Review Index (BRI)*, *ABC Polsci*, *PAIS*, *SSCI* and *America: History and Life*. Indexed on-line by *DIALOG*, *BRS* and *Information Access Magazine Index*. Microfilm: University Microfilms, Ann Arbor, Mich. No responsibility is assumed for the return of unsolicited manuscripts. Copyright © 1989 by Current History, Inc.

# Current History

MARCH, 1989

VOL. 88, NO. 536

---

*During the 1980's, the political, economic and social life of South America has been dominated by two major themes: the attempts to move toward democracy and the region's continuing foreign debt. This issue discusses the impact of democracy and debt on Argentina, Brazil, Chile, Venezuela, Colombia and Ecuador, as well as changing the United States policy in South America. As our introductory article notes, "The basic challenge [to inter-American relations] remains the continuing economic crisis and the unraveling of democratic processes in South America."*

---

## The United States and South America: The Challenge of Fragile Democracy

BY HOWARD J. WIARDA

*Professor of Political Science, University of Massachusetts, Amherst  
and*

IEDA SIQUEIRA WIARDA

*Lecturer in Political Science, University of Massachusetts, Amherst*

**W**HEN United States President Ronald Reagan took office in January, 1981, most South American countries had been living under authoritarian governments for a decade or more. As United States President George Bush takes office in 1989, the situation has dramatically changed. With the notable exceptions of Paraguay and Chile, Americans, north and south, rejoiced that they were living under democratic auspices. While a great deal of congratulatory rhetoric has greeted this welcome change, what is often left out is the unspoken reality that democracy in South America is at best fragile; at worst, its survival through a Bush administration is not at all assured. Just as President Reagan could barely nudge nations into adopting more open political systems—almost without exception in the Southern Hemisphere the advent of democracy in the 1980's was a homegrown flowering—so too President Bush is likely to find himself nearly powerless to do much to ensure democracy's fruition in South America.

As President Bush starts his administration, the signs are already unmistakable that many *latinos* view their experience with democracy as disillusioning. Many feel that theirs has become an empty

freedom; democracy seldom "works" to bring about greater social justice, less corruption, more economic development, or sturdier institutions. If this fragile and disappointing democracy represents a daily disappointment for South Americans as they face the pressures of hyperinflation, the emptiness of politicians' promises, and the scourge of drugs, debts and terrorism, it presents a daunting challenge to the incoming Bush administration. Will South America prove as intractable to President Bush as the Nicaraguan challenge remained for the much more popular President Reagan? Are there any elements for hope amidst the fears that in the 1990's South America might become a Central America writ large, in terms of instability and entangling domestic and international issues?

Traditionally, most Americans, if they devote any attention to this matter, look at their Caribbean backyard as a United States sphere of influence. This orientation has been reinforced by the practical applications of the Monroe Doctrine, the Roosevelt Corollary and, even more recently and dramatically, the American incursion into Grenada. A somewhat jaundiced observer did not stretch matters much when he insisted that

Since coming to power in 1981, the Reagan adminis-

tration has devoted so much attention to Central America that the rest of the hemisphere has often appeared as the tiny appendage of a bloated isthmus. To a large degree, history and geography made this inevitable.<sup>1</sup>

Indeed, there would seem to be little quarrel with the assertion that President Reagan focused on relatively minor countries, like the Marxist government of Nicaragua, the struggling democracy of El Salvador and the drug-tainted government of Panama, to the neglect of the larger and arguably more important countries of South America.

But, as viewed by the newly elected Venezuelan President Carlos Andrés Pérez, "these are just the edges." For Andrés Pérez, who also served as President between 1974 and 1979, at that time the big issues were nationalization, military regimes, human rights and, in the case of his own country, the effort to reinforce the democracy that had flourished since 1958. In that era, the Venezuelan leader, along with other South Americans oriented toward socialism, was worried chiefly about abusive foreign investment and the "evils" of multinational corporations. As he said about the 1970's, "the literature of [that] decade was about anti-imperialism, that is, anti-American."<sup>2</sup>

On the eve of the 1990's, other South American leaders are suggesting that they want more foreign investment, not less. Again Andrés Pérez has been among the first to suggest that the South Americans themselves should reach out toward the United States, at the same time hoping that the United States would reach out beyond the edges of its traditional sphere of interest in the Caribbean. A mature politician, the new Venezuelan President saw the seamless web that connects North and South Americans in the issues of debt, drugs, economics and democracy. He criticized his fellow *latinos*, suggesting that they should be less touchy about sovereignty and should instead recognize that

drug traffickers are the ones who breach our sovereignty. . . . Let Latins help. If we criticize the United States for intervention, we can't refuse to accept our responsibilities.<sup>3</sup>

But while a Bush administration would find much to praise in this attitude, more welcome because it comes from an old Socialist International hand and one who seldom minced words toward the United States when he was President in the 1970's, this is an attitude that is unusual in South America today. Much more widespread is the attitude

among those emerging politicians who fear that the United States is still obsessed with the Caribbean and cares little, and understands even less, about the area beyond the traditional edges of American influence.

## NATIONALISM

It is in this atmosphere of continuing South American disapproval of United States history that President Bush may be asked to take bolder notice of the precarious state of democracy in the Southern Hemisphere. The factors undermining democratic solutions and more mature inter-American relations revolve around the issue of nationalism. Nationalism has been a potent force in South America for many decades if not centuries and, after all, it molded diverse countries and a variety of democratic forms. But in recent years nationalism often has been an umbrella for all sorts of impulses ranging from self-determination to an almost automatic denunciation of all United States policies. To what extent can President Bush channel this nationalism toward a posture that recognizes the realities of North and South American interdependence?

At the very least, George Bush could strengthen greater understanding of Americans and the American system by enhancing the opportunities for cultural exchanges, for a larger contingent of Fulbright scholars and a greater use of the Peace Corps and similar programs. It would be a shrewd move to help disseminate the views of South Americans who are sympathetic, or who are at least knowledgeable about the American system. It certainly would make sense to make use of statements like those of Andrés Pérez or the renowned Peruvian novelist Mario Vargas Llosa or the Venezuelan journalist Carlos Rangel. All these leaders see the possibility—indeed the need—for maturity in *latino* nationalism, a nationalism that no longer automatically rejects all things American but that is open to what it can use from the American model. In short, the United States needs to understand South America better, and South Americans must shed their xenophobia and adjust to new realities in the world, including the United States.

Although President Bush might expect some help from pragmatic Latins in a broader and more mature interpretation of nationalism and in a greater appreciation of inter-American interdependence, he is likely to find less room for accommodation in the economic manifestations of South American nationalism. Protectionism, long a tradition in the Western Hemisphere, now appears in a more confrontational form; governments adamantly close off whole categories of products from entering their countries. Under the guise of helping fledgling industries, this protectionism now comes under the

<sup>1</sup>Piero Gleijeses, "The Reagan Doctrine and Central America," *Current History*, December, 1986, p. 402.

<sup>2</sup>Flora Lewis, "A New Latin Offer," *The New York Times*, September 25, 1988.

<sup>3</sup>Ibid.

most formal auspices. The best example is Brazil's 1988 constitution, which makes it more difficult, if not impossible, for foreign (mostly North American) businessmen to compete on an equal footing with local and state entrepreneurs. With such provisions in the constitution, accommodation between American and local interests becomes much more difficult to arrange.<sup>4</sup>

The possibility of acrimony is enhanced by the fact that many United States congressmen have been calling for greater protection of American industries. President Bush begins his administration already under the open threat of a variety of bills that will make it harder for South American products—textiles from Colombia, steel and shoes from Brazil, for example—to enter the United States unencumbered. Pressure to protect American workers may be politically irresistible, all the more so if congressmen can point, with some glee, to what South Americans themselves are doing to keep out North American products.

Another theme in this new economic nationalism involves the enormous South American debt. South American Presidents have been quick to point out that short-term arrangements for new loans coupled with austerity through the International Monetary Fund (IMF) are often more destructive than helpful. Peru's President Alan García has been most outspoken in his criticism, but even Brazil's mild-mannered President José Sarney seldom has minced words in his denunciation of a regime of belt-tightening that seems to impoverish his people further while at the same time undermining the little democratic legitimacy his government enjoys. It is easy for North Americans to point out that the worsening economic situation in Peru and in Brazil can be blamed on myopic populists like García or inept leaders like Sarney. But few Americans understand the widespread Latin American hatred toward the IMF, which, even in the minds of Latin Americans who know better, is often used as a synonym for the United States.

By appointing James Baker as his secretary of state, President Bush may be signaling that he intends to continue to pursue a cautious approach toward the South American debt. The so-called Baker Plan, which already has been in place for some years, may become a little more flexible. This flexibility, interestingly enough, is being forged by private American entrepreneurs and by South American governments desperate enough to entertain novel ways of reducing the debt burden that strangles them.

<sup>4</sup>"Brazil's New Constitution," *Financial Times* (London), September 13, 1988; Mac Margolis, "Brazil's New Constitution Sparks War of Words: Multinational Firms Protest Phrases to Restrict Foreign Funding," *Washington Post*, July 15, 1988.

Tired and overburdened by billions of dollars in very shaky loans, the large commercial banks are finding small ways to get out from under the mountain of their uncollectible South American obligations. Major American banks are starting to give up some of their loan claims, provided that they can, in turn, "share" the losses with South American borrowers and with American taxpayers. The American system provides tax advantages for banks in absorbing some losses; when a bank takes a loss on a credit by swapping it at a discount, it sets the losses against its tax bills, thus depriving the United States Treasury of revenue and passing the cost indirectly to the American taxpayer. So far, not many American taxpayers have become aware that this is taking place and that they are footing the bill for the banks' bad loans; whether this open secret will continue unperceived is a good question.

For their part, the South American countries are similarly overburdened by debt. Brazil and Chile have been pursuing significant debt-for-equity swaps. This novel approach can help boost investment, which has lagged behind in the most burdened South American nations, but it also has inflationary effects. It may, for example, have contributed to Brazil's four-digit inflation. Just as risky, from the American perspective, is the fact that through such swaps the banks become involved in businesses and countries that they do not know well, and their actions may arouse further antipathy to Yankee ownership.

Another alternative for helping solve the debt problem is a system of straight buy-backs in the secondary market, like those that helped resolve South American debt dilemmas in the wake of the Great Depression in the 1930's. In the more recent past, Bolivia bought back just under half its \$670-million bank loan due in March, 1988, at 11 cents for each dollar of debt. But most banks balk at following similar policies toward the bigger South American debtors because the risks are multiplied many times over, and the international market for such secondary dollars may be both too volatile and already glutted.

A more realistic example of this novel approach is Chile's buy-back; Chile used as much as \$200 million of its own reserves to purchase some of its \$13.1-billion foreign bank debt at a discount. But Chile has been unique in South America, with an enviable economic track record in contrast to impoverished Bolivia or unpredictable Brazil. Thus, while Chile may be hailed by Americans as a model, it has no counterpart. And a dictatorship can take steps in economic policy matters that a democracy cannot.

A variety of voluntary debt reduction programs are likely to get a nudge of approval from the Bush

administration. In fact, President Reagan started down this road by expressing sympathy for some forms of debt relief. For George Bush, given the United States budget deficit, the issue will be complicated by the fact that there is less room to maneuver economically, nor is there much room for generosity from Americans who face sharp budget and program cuts. At the same time, in South America the debt relief issue is becoming far more charged politically as major debtors like Brazil and Argentina prepare for critical presidential elections in 1989.

From the South American perspective, the debt burden has meant a far greater reduction in the standard of living, with no end in sight. From the American perspective, what Americans see as generosity and flexibility toward debtors has meant greater acrimony in North-South relations; worse, the cause of democracy seems to have been weakened rather than consolidated.<sup>5</sup>

An interview with Bush adviser Richard Haas indicated that President Bush is aware of the challenges posed by the debt burden and the fragility of democracy and realizes that there are limits to United States action. Among the limitations, as far as Bush is concerned, is the fact that there is a growing list of more radical and populist politicians confronting the more seasoned and more prudent Presidents in power. With all their shortcomings, Presidents García, Sarney, and Alfonsín (Argentina), for example, have been far more moderate than those presidential candidates challenging them, like Alfonso Barrantes (Peru), Leonel Brizola (Brazil), and Carlos Menem (Argentina).

As this first wave of pioneering democrats who succeeded military or unpopular governments goes into retirement, their successors are clamoring for greater economic nationalism, less caution and more audacious popular measures in terms of nationalization, radical agrarian reform, and repudiation of the debt. Playing into the hands of the populist challengers is the growing disillusionment with the fruits of democracy so far. In all candor, these fruits have been meager and most South Americans, asked whether they are better off now than they were a decade ago, would probably respond with a resounding negative. Of course, the malaise of these fragile democracies goes beyond the problem of debt, the appeal of demagogues, or even what the United States has or has not done in South America. By the same token, the very fragility of democracy seems to encourage the more radical elements and those most eager to find a scape-

goat. As President Bush will soon learn, few scapegoats are as handy or as perennial in South America as the United States.

From the North American perspective, South America is also a convenient scapegoat, particularly in the matter of drugs. It is easy to substantiate the fact that a large share of the drugs that flood the United States comes from South American countries. Colombia, Peru and Bolivia come first to mind, but increasingly Brazil and other nations are prime suspects in the nefarious drug traffic. The recent American elections provided a pulpit for politicians of all stripes to spout murderous rhetoric against the *latino* "merchants of death."

Since the drug issue was so central to the American electoral campaign, we can expect both President Bush and Congress to be much more forceful in this area. We can expect Americans of both parties to attempt to outdo each other in their toughness. It will be hard for Secretary of State Baker to caution diplomacy or to point out that toughness has proved a blunt and so far ineffective instrument when dealing with even so small a country as Panama. The temptation to "punish" a Peru or a Colombia will be tremendous.

The only mitigating circumstance might be a greater awareness of Americans, North and South, of the effect of drugs on the South American democracies. As the drug scourge spreads and undermines the legal and even the political structures of several countries at the same time that well-intentioned judges are senselessly killed by drug dealers, more South American politicians are concerned about what was viewed, for a time, as a purely Yankee problem.

President Bush might be wise to adopt some of the suggestions coming from South America. Newly elected Venezuelan President Andrés Pérez has called for an international conference on drugs that would organize international police cooperation as well as a fund to promote substitute crops where drugs are grown as a livelihood. Peruvian novelist Vargas Llosa has pointed out the growing link between terrorism and drugs in Peru, and he has called for a more effective government (he himself is

*(Continued on page 151)*

---

**Howard J. Wiarda** is a research associate at the Harvard Center for International Affairs, and an adjunct scholar of the American Enterprise Institute. He is the author of *The Democratic Revolution in Latin America* (to be published under the auspices of the Twentieth Century Fund). **Iêda Siqueira Wiarda** teaches at the University of Massachusetts/Amherst and is the author of monographs, articles and chapters dealing with Latin America and United States-Latin American relations.

<sup>5</sup>Peter Truell, "Chile Buy-Back of Foreign Debt at Discount Set," and "Latin American Debt Prompts Action: Banks and Nations Move to Reduce Burden," *Wall Street Journal*, September 22, 1988.

---

*"Brazil's fainthearted politicians have refused to confront the hard reality and the legacy of decades of economic and financial mismanagement. . . . The hope offered by national elections at the end of 1989 may sustain Brazil's people."*

---

## Brazil's Transition to Democracy

BY RIORDAN ROETT

*Sarita and Don Johnston Professor of Latin American Studies,  
School of Advanced International Studies, Johns Hopkins University*

**I**N 1988, Brazil appeared to be in suspended animation. The economy had deteriorated dramatically. Social protests escalated. And the completion of the eighth constitution in the nation's history did little to guarantee a peaceful process of political institutionalization. All eyes—and hopes—turned to the November, 1989, presidential elections, which are viewed as the key milestone in restoring legitimacy to a badly tattered democratic regime. The high hopes of 1985 have disappeared and have been replaced by fear that the country will not reach the 1989 elections without a rupture in the constitutional process.

Ironically, Brazil in 1988 resembled the Brazil of 1963. In 1963, everyone hoped that the elections scheduled for 1965 would restore order and would lead to a rebalancing of economic and political forces. Those hopes were dashed by the military intervention of 1964. Today, Brazil is hoping that it will not repeat the trauma of the 1960's.

Two events dominated politics in Brazil in 1988: the completion of the new constitution and the municipal elections of November 15. Both were important in the post-1985 transition process. The progressive disintegration of the fragile political party system, the increased isolation of President José Sarney, and the continued importance of the military ministers in national political affairs were also relevant.

The Constituent Assembly (which served simultaneously as the nation's Parliament) elected in November, 1986, convened in March, 1987, to undertake the complex task of drafting a new constitution. Much of the first year of deliberation was spent in the drafting process. Thousands of articles and amendments were prepared for debate. Nationalist elements appeared to have the upper hand until the late 1987 formation of a grand coalition of the center, composed of Assembly members from various parties. The "*Centrao*," as it was called in Portuguese, managed to vote down many extreme nationalist draft articles.

The length of the presidential term emerged as the most emotional and difficult issue for the As-

sembly in 1988. President José Sarney demanded a five-year term—and used the prestige and influence of the presidency to buy support. The leaders of the armed forces also lobbied strongly for a five-year term, to preclude early elections and the possible selection of someone like the former governor of Rio de Janeiro state, Leonel Brizola. In late March, the Assembly voted against national public opinion—which favored a parliamentary system and a four-year term of office for the chief executive—and voted for a presidential system with a five-year term for future Presidents. Again with heavy pressure from the presidency and the armed forces, the Assembly decided in early June to give President Sarney a five-year term, voting 328 to 222.

With the presidential term determined, the Assembly addressed key economic and social issues. The *Centrao* had saved the day for Sarney on the votes on the presidential system of office and on his own term. But it failed to hold together on other key issues. In a series of victories for the nationalist forces, the Assembly voted in April to force controlling shares in all mining companies into Brazilian hands and to halt all further foreign oil exploration risk contracts. The Assembly created the concept of "a Brazilian company of national capital"—to which mineral rights are to be restricted—that can prevent foreigners from engaging in activities like biotechnology and the production of fine chemicals. In essence, the Assembly recognized foreign companies operating in Brazil but defined two categories of Brazilian companies: those companies whose capital is controlled by Brazilian residents and those companies operating in Brazil mainly with foreign capital.

The Brazilian-controlled companies will have preference in supplying goods and services to local, state and federal governments and state-owned companies and will enjoy protection in any reserved markets established in the future. Multinationals will not have access to financing from official Brazilian institutions nor will they benefit from fiscal incentives and reserved markets. The legislation also strengthened the principle of government interven-

tion in the economy by allowing such intervention for purposes of national security or the collective interest. Other votes supported a constitutional basis for creating additional reserved markets, similar to the current market barriers that have troubled relations between Brazil and the United States.<sup>1</sup>

While the nationalists were able to defeat the President and his *Centrao* coalition on key economic issues, one highly controversial decision demonstrated the strength of conservative forces in Brazil. In May, advocates of land reform suffered a severe setback when they lost a key vote on the definition of the role of land in the constitution. The Assembly voted down a proposal that would have allowed the compulsory appropriation of property for land reform. Instead, a clause was approved recognizing land's "social function," but excluding the wording proposed by the reformers that would have allowed the confiscation of land deemed not to be fulfilling that function adequately. The vote ended weeks of passionate debate and represented a singular victory for Ronaldo Caiado and his landowners organization, the Democratic Rural Union (UCR), which emerged in 1988 as a well-organized and formidable lobby for landed interests. The land reform measure had the strong backing of the Catholic Church and the nationalists. But Caiado and his associates put together a conservative coalition that reconfirmed the power of the landowners and conservative agricultural interests.

In other controversial decisions, the Assembly approved an article forbidding banks to charge real annual interest rates of more than 12 percent on their domestic loans. The measure applies to Brazilian banks and to foreign banks operating in Brazil. Banks that attempt to charge interest of more than 10 percent over the inflation rate will be liable to prosecution. The article had the support of an impromptu alliance of industrialists and farmers who are angered at current high interest rates and leftist congressmen who believe banks are making big profits while the country suffers. Even though the government's economic ministers argued that the measure was both unworkable and ultimately deleterious to Brazil, it passed by a wide margin.

The Assembly introduced a number of progressive social and labor measures into the constitution, including profit-sharing for all employees; a maximum 44-hour work week; time and a-half overtime pay; paid vacations that will include an extra 30 percent of the monthly salary; maternity leave of four months and a five-day paternity leave policy; protection of workers from "arbitrary dismissal";

and the right to strike for both private and public sector workers. The right of illiterates to vote was confirmed and the minimum voting age was reduced to 16 years.

President Sarney confronted the Assembly in July, charging that Brazil would be ungovernable and would suffer "permanent political and social instability" if the draft constitution were approved. In a strong rebuff to the President, the Assembly approved its latest draft, which could be amended only by the removal of specific phrases or articles. Sarney objected to the costs of many new social programs and the nationalist, anti-business tone of many articles. While minor changes were made, the document finally approved on September 2 closely resembled the earlier drafts.<sup>2</sup> The document was ratified by the Assembly on October 5.

The highly controversial document is now subject to interpretation through enabling legislation and judicial interpretation. Moreover, it can be amended in Congress by a simple majority. A national referendum will be held in five years on two issues—whether the system of government should be parliamentary or presidential and whether Brazil should be a republic or a monarchy. Will the new document work? Only time will tell. It has been hailed as a milestone on the road to restoring democracy in Brazil and as a progressive and far-sighted document. Critics argue that it further isolates Brazil from the real world, with its bias against foreign investment. Other critics claim that it may be admirable in social terms, but they wonder who will pay the cost of the new programs for the poor and the working class?

## MUNICIPAL ELECTIONS

The presidential and the municipal campaigns opened immediately after the approval of the new constitution. The most immediate concern was the November 15 voting for mayors and municipal assemblies. That vote would be the first real political referendum since the October, 1986, gubernatorial and congressional elections in which the government party, the Party of the Brazilian Democratic Movement (PMDB), won an overwhelming victory in both houses of Congress and took 22 of the country's 23 state houses. It was clear that public opinion had turned bitterly against the PMDB because of the failure of the highly popular 1986 Cruzado Plan, which had promised to end inflation in Brazil, and the government's inability to restore economic growth and to address pressing social demands.

The campaign, waged in more than 4,300 municipalities across Brazil, ended in a devastating rejection for the PMDB and the political establishment. Major gains were made by the Workers party (PT), led by Luís Inácio "Lula" da Silva, and the

<sup>1</sup>Ivo Dawney, "Paying a High Price for Independence," *Financial Times*, May 16, 1988, p. 25.

<sup>2</sup>"Brazil Completes New Constitution," *The New York Times*, September 3, 1988.

Democratic Labor party (PDT), whose leader is Leonel Brizola. In a stunning victory, the PT took the capital city of São Paulo, defeating former Governor—and 1985 presidential candidate—Paulo Maluf as well as the candidate of the PMDB, backed by the powerful governor of São Paulo state, Orestes Quéricia. The PT also emerged victorious in the key southern capital city of Porto Alegre and in Vitória, the capital of the state of Espírito Santo. The party placed first in hundreds of smaller cities. The PDT was first in Rio de Janeiro and in the capital cities of the states of Paraná and Rio Grande do Norte. The Party of the Liberal Alliance (PFL) won five northeastern and western cities, while the government party, the PMDB, placed first in only three capital cities and lost badly across the country.

The Constituent Assembly exempted the November elections from a new voting regulation—a second round if no candidate emerged with an absolute majority of the votes in the first round of balloting. The exception was made in the hope that the government party, the PMDB, would be able to eke out a plurality. The ploy failed. The PDT often placed second after the PT or vice-versa across the country. The vote was first and foremost a rejection of the current administration and its economic policies. It was also a mandate for a new style of politics, which was more populist, leftist and nationalist. The victor in São Paulo was Luiza Erundina de Souza, a socially active leader of the PT, and a principal leader of land invasions in the city of São Paulo. After her election, she made it clear that her priorities will be housing and transportation for the working class residents of the city. She has said that she will expropriate the private bus companies and will give priority to the right of people to have a place to live rather than their right to own property. Both issues will be highly controversial.

## THE PRESIDENTIAL SUCCESSION

The dramatic results of the municipal elections have shaken old predictions regarding the outcome of the November, 1989, presidential voting. Lula and Brizola have emerged as leading contenders. Another contender is Senator Mario Covas of São Paulo, one of the founders of the Brazilian Social Democratic party (PSDB). The PSDB won the important state capital of Belo Horizonte in Minas Gerais, and Covas has emerged as a possible consensus candidate of the center and center-left, which are afraid of Brizola's populism and Lula's radicalism. The chances of outgoing Mayor Jânio Quadros of São Paulo (a former President of the Republic in 1961) have increased as the search begins for a creditable right-of-center candidate. The fortunes of Ulysses Guimarães, president of Parliament, and Governor Orestes Quéricia of São Paulo,

both of the PMDB, appear to have diminished as a result of their party's defeat. The prospects of former Vice President Aureliano Chaves, one of the leaders of the PFL, remain unclear. Many of his supporters may find President Quadros more appealing in 1989.

The presidential vote in 1989 will have two rounds of voting, if none of the candidates win a majority in the first round. The general assumption is that former Governor Leonel Brizola will take a spot in the second round; the question is which other candidate places second for the last round and whether or not he is capable of building an anti-Brizola coalition and taking the presidency. As the dust settles from the November 15 elections, the race for the presidency is on in earnest, and all bets are off with regard to the eventual victor.

## OTHER POLITICAL TRENDS

Sensing the growing popular disaffection of the Brazilian people with the governing PMDB, left-of-center PMDB leaders became disaffected in mid-year and organized the Brazilian Social Democratic party (PSDB). The party seeks to stake out a position on the progressive left and to follow the general principles of the international social democratic movement. Its voting strength is in the industrial states of the center-south, but its leading figure, Senator Mario Covas of São Paulo, may well emerge as a consensus candidate of the moderate left in its effort to defeat Lula and Brizola in 1989. The defection from the PMDB of the PSDB highlighted the inability of the government party to define a practical program that would respond to the growing desperation of the majority of Brazilians. It also represents an effort to initiate a wide-ranging reorganization and reorientation of Brazil's political party system.

Although he won the highly controversial vote on a five-year term of office, President José Sarney has become an increasingly isolated and irrelevant actor in national politics. The only major political figure without a legitimate mandate (conferred by direct election), the President appears disassociated from the tasks of governance. His rating in opinion polls has plummeted and his inability or unwillingness to make tough economic and social decisions have earned him the disdain of the country's politicians and its voters. The President's key institutional support comes from the armed forces. The military ministers have made it clear that they will defend his five-year term and his mandate. It is widely believed that the military see him as a useful buffer against any precipitate change in the presidency and as a malleable chief executive eager to protect and enhance military prerogatives.

Brazil's political system will remain in turmoil

throughout 1989. It is hoped that the presidential elections will give the country, finally, a legitimate chief executive with a plan of action for economic recovery. No matter who is elected in 1989, Brazil's next President will face a nation at the edge of economic disorder that will require herculean efforts to restore confidence in the economy and reasonable levels of growth and investment.

## BRAZIL'S ECONOMY

The Sarney administration has seen four finance ministers, five Central Bank presidents and two currencies. Despite these rapid changes, the economy is in shambles, and the country appears to be moving rapidly toward hyperinflation with unknown social and political consequences. The major issues that have preoccupied the government since the beginning of 1988 are the foreign debt and inflation. The debt issue has been resolved, technically, for the time being; however, inflation has remained the key, unsolvable issue for the government.

Sarney's third finance minister, Luiz Carlos Bresser Pereira, resigned in December, 1987, citing an "ethical" dispute with the President over tax reform. The two disagreed on a proposal to tax capital earnings—interest, profits and dividends. The President opposed the tax measure. The minister had sought new measures to cut the budget deficit that, in 1987, surpassed 6 percent of GNP (gross national product), estimated at about \$300 billion. The proposals included politically sensitive measures like raising taxes for the middle class and the wealthy, cutting spending, and eliminating some inefficient state-run companies.

The secretary general of the ministry, Mailson Ferreira da Nobrega, was appointed acting minister and confirmed in early January, 1988. The minister stated that he would give priority to combating triple-digit inflation, a soaring public sector deficit, government intervention in the economy and reaching a quick agreement with Brazil's foreign creditors.

The private commercial banks had urged Bresser to reach an early agreement with the International Monetary Fund (IMF) in 1987, but the minister had replied that he would go to the IMF only after a debt agreement had been signed with the banks. Brazil's commercial creditors were owed about \$70 billion of the country's \$113-billion foreign debt at the end of 1987. Soon after his appointment, Nobrega stated that he would reverse the Bresser decision and would seek "an accord that will be of

interest to the country and will not involve the fund imposing any program on Brazil."<sup>3</sup>

True to his word, the new minister proceeded to depoliticize the debt issue. Moreover, he took the position that the controversial debt moratorium, declared in February, 1987, had been an error. Nobrega stated that Brazil had missed out on a reduction of interest rates to other debtors; financial outflows had increased and new investment had decreased; foreign governments had ended export credits, which had damaged the economy; and the slowness of negotiations had produced a deterioration in Brazil's relations with its creditors without leading to better terms or improved conditions.

In February, 1988, Nobrega concluded successful negotiations with the private commercial banks. Meeting in New York, Brazil agreed to make a \$700-million interest payment that covered its overdue obligations for 1988. The decision came as part of an accord in which Brazil's creditors pledged to lend \$5.8 billion toward a medium-term financial package at the same relatively favorable interest-rate terms that Mexico and other debtors had recently received. The \$5.8 billion in new money was made available by the banks to cover Brazil's financing needs for 1988 and 1989, as well as for 1987, when the country had no accord with its creditors because of the moratorium.

In another reversal of a controversial position on the debt, Nobrega authorized the stock exchange to begin to auction off part of the \$113-billion foreign debt. In late March, in the first operation of its kind in Brazil, nearly 100 brokers representing investors and creditors traded \$150-million worth of Brazil's dollar debt for credits in cruzados, the national currency. Half the credits in cruzados were reserved for businesses interested in making risk investment in Brazil's underdeveloped regions in the north and the northeast. The remaining credits were sold freely to investors with varied projects. Brazil gained doubly in the decision. It was able to write down part of its foreign debt and to do so by paying claimants not in precious hard currency but in local cruzados. The discount also awarded Brazil a \$36-million profit as the central bank bought back \$150 million of its obligations for less than their face value.<sup>4</sup>

True to his word, the finance minister concluded an agreement with the IMF in June, 1988, that provided a standby credit of \$1.5 billion. A few weeks

*(Continued on page 149)*

---

**Riordan Roett** is the director of the Latin American Studies Program at the Johns Hopkins School of Advanced International Studies (SAIS) in Washington, D.C. He is a former president of the Latin American Studies Association (LASA).

<sup>3</sup>Alan Riding, "Brazil Names New Finance Minister," *The New York Times*, January 6, 1988.

<sup>4</sup>Ivo Dawanay, "Brazil Tackles Debt Conundrum," *Financial Times*, September 15, 1988, p. 22.

---

*"Clearly, economic problems have placed strains on Venezuela's quality of life and on its democratic system. . . . President Carlos Andrés Pérez will need all his fabled energy and charisma to reactivate Venezuela's democracy and its economy."*

# Debt and Politics in Venezuela

BY JUDITH EWELL

*Newton Professor of History, College of William and Mary*

ON February 2, 1989, Carlos Andrés Pérez of the Acción Democrática (AD) party became the first Venezuelan President since 1958 to be inaugurated for a second term.<sup>1</sup> Does anyone dare hope for the return of the giddy days of the "Gran Venezuela" of Pérez's first term (1974–1979)? Oil revenues had poured in and helped to finance the nationalization of the iron mines (1975) and the oil industry (1976). Caracas had conducted an active third-world foreign policy, especially in the Caribbean. Modern petrochemical, steel and hydroelectricity installations had begun to leap from paper plans to hard reality. Foreign ships were lined up for weeks at La Guaira port to disgorge luxury goods for the glittering shopping malls and *supermercados*. More affluent Venezuelans were traveling abroad to vacation, to shop, or to study, often on government scholarships.

On December 4, 1988, voters gave Pérez (or CAP, as many call him) his second resounding electoral victory. He received 54.85 percent of the vote; COPEI (Social Christian) candidate Eduardo Fernández won only 32.95 percent. The lopsided vote reflected Fernández's inability to heal his own wounded and divided party or to convince Venezuelans that he was "the Tiger" that his campaign literature claimed. A vote for Pérez probably expressed a mixture of irrational hope, growing desperation and a willingness to challenge the foreign bankers who had forced on Venezuela the most stringent debt-repayment terms in Latin America.

President Jaime Lusinchi (elected in 1983, also on the AD ticket) had assured the nation in February, 1986, that "we are not on the verge of the deluge,"<sup>2</sup> but by late 1988 Venezuelans were more pessimistic. Lusinchi had insisted on paying the in-

terest on the \$32-billion foreign debt down to the last bolivar, regardless of plummeting oil prices. Between 1985 and 1988, he sent \$15 billion out of the country to service the \$32-billion debt.<sup>3</sup> A currency devaluation in December, 1986, contributed to inflation, which reached 40 percent in 1987 and 1988. All Venezuelans lamented the expense (and occasional disappearance from the stores) of staples like salt, rice or sugar.<sup>4</sup> Unemployment officially dropped to a respectable 7.7 percent in 1988, but some estimates put underemployment at over 40 percent.

Although Jaime Lusinchi remained personally popular with Venezuelans—one poll found a 67 percent favorable rating in November, 1988—his compatriots were frustrated at his willingness to placate foreign bankers at the cost of both economic growth and his "social pact."<sup>5</sup> During the presidential campaign, Pérez prudently rejected the notion of a debtors' cartel or other specific nostrums, but he did state, "We have to resolve the problem of the foreign debt, at once. We cannot continue paying under the current conditions."<sup>6</sup>

When he took office in February, 1984, Lusinchi's strategy had been simple. He and his first finance minister, Manuel Azpurúa, gambled that foreign bankers and investors would reward Venezuela's responsible debt service with new loans and investments. The new capital would reactivate the economy, which had been stagnant since 1983. Unfortunately, the gamble failed. Bankers recognized Venezuela's goodwill and long-term prospects, but refused to make any concessions or new loans to Lusinchi's government. Nations with worse records, like Mexico, received better treatment.

As the domestic situation deteriorated, Lusinchi's government had to cope with demonstrations, street marches, extended university strikes, strident attacks from the Confederación de Trabajadores de Venezuela (Venezuelan Labor Confederation—CTV), and even with criticism from the increasingly assertive Church hierarchy. The protests focused on the economic situation or on police repression. The AD government often responded harshly to such criticism and insisted on

---

<sup>1</sup>The Venezuelan constitution provides that a President may serve a second term only after 10 years have passed.

<sup>2</sup>Foreign Broadcast Information Service, *Latin America: Daily Report* (hereafter cited as FBIS), February 28, 1986, p. L8.

<sup>3</sup>*The New York Times*, December 5, 1988.

<sup>4</sup>The author is indebted to Susan Berglund for news clippings and insight on the current Venezuelan situation.

<sup>5</sup>*El Diario de Caracas*, November 19, 1988.

<sup>6</sup>*El Nacional*, November 15, 1988.

characterizing it as the work of subversives and agitators. Venezuelans wondered whether the populist political parties could continue to manage and could co-opt political dissent in an era of economic scarcity.

## DEBT AND ECONOMIC POLICY

In his first year in office, Jaime Lusinchi had hammered out an agreement with 450 foreign banks for scheduling interest and principal payments. Lengthy negotiations with the group of 450 banks meant that Caracas did not formally sign the agreement until February, 1986. Petroleum revenues, traditionally the source of over 90 percent of government income, fell, prompting the bankers to allow Venezuela to postpone part (but not all) of the principal due in 1985–1986. Venezuela's austerity program and impressive \$13 billion in international reserves convinced the bankers that the intervention of the International Monetary Fund (IMF) was unnecessary. In a radio broadcast on February 27, Lusinchi announced, "Fellow citizens, I am convinced that the normalization of relations with our foreign creditors solves an important obstacle in the country's affairs and clears the way for economic recovery."<sup>7</sup>

On March 11, 4,000 people demonstrated in Caracas to challenge Lusinchi's sanguine assurance. Within a few months, collapsing oil prices forced Lusinchi to acknowledge that the rescheduling terms had been unduly optimistic. In February, when Venezuela signed the debt agreement, Lusinchi expected to see \$12.6 billion in oil revenues for 1986; by May, it was apparent that Venezuela could hope for no more than \$7.5 billion. Lusinchi asked the bankers to defer the \$750 million in principal that was due or to recycle the sum back to Venezuela in the form of new loans. The creditor banks refused.

Venezuela devalued its currency in December, 1986, perhaps to avoid devaluation during the election campaign. Inflation climbed to between 30 percent and 40 percent from the relatively modest 12 percent levels for 1984–1986. In the spirit of the social pact, which had pledged to spread the effects of the debt crisis, Lusinchi decreed a price freeze on 100 basic products and services and a slight increase in the monthly minimum wage for the poorest urban and rural workers. In April, 1987, he announced another general wage increase, a 120-day price freeze on essential goods, and a 120-day ban on the dismissal of employees.

Brazil's February, 1987, announcement of a sus-

pension of interest payments forced the creditor banks to bend a little in order to avert a domino effect. On February 27, the bankers signed a renegotiation agreement in principle with Venezuela that conceded less than Mexico, Argentina or Brazil had secured. AD presidential candidate Carlos Andrés Pérez criticized the agreement and argued that Venezuela should have joined with other Latin American nations to take advantage of the bankers' fears. Other AD spokesmen were divided over the debt renegotiation issue, heightening the clash between Pérez and Lusinchi's chosen successor, Octavio Lepage, for the AD nomination. Both the AD-dominated CTV and the business association Fedecámaras urged that debt repayment not take priority over Venezuela's industrial revitalization and social welfare.

After some hesitation, Lusinchi signed the amended agreement on September 18, 1987. It extended Venezuela's payment schedule slightly, from 12.5 years to 14 years, and reduced interest rates slightly to seven-eighths of a percentage point above Libor (the London inter-bank offered rate). The principal due in 1987 was reduced from \$750 million to \$250 million, but Venezuela was the only Latin American nation actually to repay principal. The *Wall Street Journal* later dubbed Venezuela "one of Latin America's most compliant debtors."<sup>8</sup>

Falling petroleum prices (the 1987 revenues were \$9.1 billion in contrast to \$14.8 billion in 1984), a negative balance of trade, and a lack of new loans meant that Caracas had to use its international reserves to service the debt. Cash reserves fell to \$3 billion in 1988 (in addition to the \$5 billion to \$6 billion of gold reserves).<sup>9</sup> Lower reserves would lessen Venezuela's bargaining power, raising the specter of IMF-imposed austerity programs. Worried investors began to move capital out of the country, by some accounts as much as \$1 billion in 1988.<sup>10</sup>

Lusinchi changed his economic team in October, 1987, and initiated a more aggressive effort to seek new loans abroad. Héctor Hurtado, president of the Venezuelan investment fund, replaced Azpurúa as finance minister, a position he had held under Carlos Andrés Pérez. In August, 1988, Hurtado went to New York to plead for new loans before Venezuela agreed to pay the \$2.5 billion of principal and interest scheduled for 1988. The bankers refused to make any agreements just before a new government took office. They argued that Venezuela could manage the debt service.

The general economic situation was dismal. The total gross domestic product (GDP) growth rate was -1.2 percent in 1984, 0.1 percent in 1985, 5.3 percent in 1986 and 3 percent in 1987. The budgets for 1986, 1987 and 1988 remained roughly the same, when taking inflation into account. Only nontradi-

<sup>7</sup>FBIS, February 28, 1986.

<sup>8</sup>*Wall Street Journal*, June 7, 1988.

<sup>9</sup>*Ibid.*

<sup>10</sup>*The Economist* (London), November 12–18, 1988, p. 48.

tional exports—that is, everything but oil and iron—and agricultural production performed well. Farm production rose by 2.2 percent in 1984, 7 percent in 1985 and 7 percent in 1986, cutting food imports to a record low. When the new Raúl Leoni Hydroelectricity Dam at Guri opened in 1986, it cut the cost of energy for the Venezuelan Guyana Corporation's aluminum production enough to make Venezuelan exports competitive.<sup>11</sup> The new source of power will also help to conserve domestic oil consumption. Some local products gained acceptance as substitutes for imports. Grudgingly, Venezuelans drank more domestic whiskey in place of imported Scotch, and applauded (or booed) Venezuelan baseball players on professional teams that could no longer afford to "import" so many players from the United States.

Still, Venezuela continued to be heavily dependent on petroleum revenues and on the United States market. It was good news in early 1987 when major new oil finds more than doubled Venezuela's proven oil reserves from 26 billion barrels to 55 billion barrels. The new finds moved Venezuela from tenth place to fourth place in possession of world reserves and increased its status in the OPEC (Organization of Petroleum Exporting Countries) cartel. Soft oil prices, of course, provided the bad news. Venezuela received an average price of \$25.89 per barrel in 1985, \$13.90 in 1986, \$17.57 in 1987 and \$13.82 for the first half of 1988. Also alarming was the news that the United States, which receives 55 percent of Venezuela's exports, was contemplating a tax on imported oil.

Venezuela's oil holding company, *Petróleos de Venezuela S.A. (PDVSA)*, has tried aggressively to ensure market stability in recent years through a strategy of diversification and vertical integration. Following a precedent set with the German company *Veba Oel* in 1983, PDVSA acquired shares in three other foreign refineries (one in Sweden and two in the United States). Venezuela's ownership in these refineries guarantees a market for over 30 percent of Venezuelan crude oil exports. PDVSA has also used United States and Italian capital to develop steam coal deposits and has stepped up the development of natural gas pipelines with plans to export liquefied petroleum gas. The experimental new product *orimulsion*—a low-cost industrial fuel that mixes bitumen (heavy oil or asphalt) with water and additives for easier shipment—could eventually compete with coal and residual fuel oil.<sup>12</sup>

<sup>11</sup>Merrill Collett, "Venezuelan Diversifies Production, Reduces Dependence on Oil," *Latinamerica Press*, February 12, 1987, p. 4.

<sup>12</sup>Frank Niering, "Venezuela: Continued Drive Downstream," *Petroleum Economist*, vol. 15, no. 4 (April, 1988), pp. 121-123.

## FOREIGN POLICY

Battered by its economic problems, Caracas paid scant attention to foreign policy, aside from several United Nations (UN) votes that had significance for relations with the United States, Cuba, and Venezuela's OPEC allies. With a seat on the UN Security Council in 1986, Venezuela abstained on the resolution condemning the United States bombing of Libya. President Lusinchi refused to support Libya's call for an OPEC oil embargo against the United States, but he did issue a statement that condemned the use of violence to resolve international problems. A year later, in March, 1987, Foreign Minister Simón Alberto Consalvi angered the United States and intensified divisions within AD when he voted against the United States-sponsored resolution to censure Cuba for human-rights violations. Some of Lusinchi's other advisers had favored the resolution, but Consalvi, who had previously served as foreign minister under Carlos Andrés Pérez, shared Pérez's third-world sympathies.

From his arrival in Venezuela in June, 1986, United States Ambassador Otto Juan Reich tried to persuade Venezuelans to support United States positions in the UN. Calling on his experience in the United States State Department's Office of Public Diplomacy, Reich worked especially hard to defeat the August, 1987, Cuban-sponsored UN resolution that reaffirmed Puerto Rico's right to independence. Venezuela had supported the Cuban resolution for the previous four years, but Reich arranged for Vernon Walters, the United States ambassador to the UN, to speak by satellite hook-up to Venezuelan opinion leaders who gathered at the United States embassy in Caracas. Lusinchi's government finally decided to abstain from voting on the resolution.

Venezuela's relations with Cuba had been cool since 1980, when both countries withdrew their ambassadors because of disagreements over diplomatic asylum for Cubans in the Venezuelan embassy in Havana. Relations became even cooler in August, 1987, when a Venezuelan judge freed Orlando Bosch, who had served 11 years in Venezuelan prisons in connection with the 1976 bombing of a Cuban airliner. Luis Posada Carriles, also implicated in the bombing, had bribed his way to an escape from Venezuelan jails in 1985 and reportedly had joined the contra supply network in Nicaragua. In one of his first press statements after winning the December, 1988, elections, Carlos Andrés Pérez promised to try to revive relations with Cuba.

After mid-1987, the Arias (Esquipulas II) Peace Plan for Central America eclipsed the efforts of the Contadora group (Venezuela, Panama, Colombia and Mexico) to resolve the Central American crisis.

In December, 1986, the Contadora nations and the Contadora support group of democratically elected governments (Argentina, Brazil, Uruguay and Peru) had founded the "Group of 8." They planned not only to monitor the Central American accords, but to broaden their attention to other Latin American issues like the debt. Through summit conferences of foreign ministers and Presidents, the Group of 8 sought a representative but flexible instrument to supplement the cumbersome OAS (Organization of American States), often made impotent by squabbles or by the dominance of the United States. Venezuela has participated in the organization, but has not played a leading role.

The Panamanian crisis in 1988 brought presidential candidate Pérez back into the spotlight. Pérez announced that, by early February, 1988, he and Alfonso López Michelson, former President of Colombia, had convinced Panama's de facto leader, General Manuel Antonio Noriega, to resign from the Panamanian armed forces, to go into exile in Spain and to make way for free elections. Panamanian President Eric Arturo Delvalle, presumably with United States support, had aborted the plan by trying to force Noriega out in February. Pérez criticized the United States role in undercutting still another Latin American peace initiative. Pérez's activism should portend a somewhat more assertive Venezuelan foreign policy in the next five years, even in the face of continuing economic problems.

Relations with neighboring Colombia nearly erupted into a hot war and became a campaign issue. A Colombian Navy corvette, the *Caldas*, entered Venezuelan waters in the Gulf of Venezuela in August, 1987, apparently to force the issue of sovereignty over disputed waters in the Gulf. Venezuela registered a diplomatic protest and sent its army, navy and air force to the area. The previous December, Venezuela had again refused Colombia's request to submit the matter to arbitration, insisting on direct bilateral talks. The issue continues to inflame popular sentiment in Venezuela. Carlos Andrés Pérez made a careless statement that appeared to be soft on Colombian claims. Posters appeared urging the public, "Don't vote for the candidate who wants to give the Gulf to Colombia." Pérez paid for full-page newspaper advertisements to defend his patriotism and his hard-line intentions on the border issue.

Drug smugglers and growers along the Colombian border exacerbate international tensions. Several Venezuelan ranchers and cattlemen in the western section of Zulia state have been kidnapped and held for ransom by Colombian guerrillas and

drug kingpins. Colombia's major attacks on drug production along the border area, including defoliation programs, have pushed some growers into Venezuela. Venezuela hesitates to use defoliation because of potential harm to the important watershed that sustains Maracaibo. Although cocaine and marijuana are now being grown in Venezuela, drug traffickers use Venezuela primarily as a transshipment area for an estimated 25 tons to 31 tons of cocaine a year destined for the United States and West Europe. Moreover, the devalued currency and weak banking regulations mark Venezuela as an ideal place to "launder" drug dollars.<sup>13</sup>

The lawlessness of the Colombian border area alarms Venezuelans. The Colombian guerrillas have attacked the oil pipeline that carries Colombian crude oil from Caño Limón to the Caribbean port of Covenas. Colombia asked Venezuela to allow the construction of a pipeline from Caño Limón to Guasdalito in Venezuela's Apure state. From there, existing pipelines could carry Colombian oil to the Venezuelan port of Puerto Cabello. The potentially lucrative deal tempts Caracas policymakers, but they worry that Colombian guerrillas would then be able to attack Venezuela's pipelines.

One of the most titillating political sagas of the Lusinchi years has been Lusinchi's relationship with his private secretary, Blanca Ibañez. Rumored to carry a good deal of influence in his government (even sitting in on Cabinet meetings a la Evita Perón), Ibañez has also frequently dispensed government largess to charitable causes. In 1987, Lusinchi sued his wife for divorce, a suit contested by his wife. Administration officials harassed journalists who violated "public decency" by writing of the divorce proceedings. Gladys Castillo de Lusinchi charged that the judges who ruled against her had been intimidated and she demanded a congressional investigation.

Lusinchi and Ibañez also posed a problem for Acción Democrática. Ibañez demanded a place on the AD party list of congressional candidates for the December, 1988, election. The party elders refused, agreeing that the petition was unseemly and likely to damage the party. Venezuelans remain tolerant, even approving, of womanizing by politicians, but they balk at the idea of encouraging a woman to exercise real power as Evita Perón did in Argentina.

In what was generally conceded to have been one  
(Continued on page 147)

---

**Judith Ewell** is the author of *Venezuela: A Century of Change* (Stanford: Stanford University Press, 1984) and *Indictment of a Dictator: The Extradition and Trial of Marcos Pérez Jiménez* (College Station, Tex.: Texas A & M University Press, 1981).

<sup>13</sup> *The New York Times*, June 18, 1987; Merrill Collett, "Recent Raids Mark Venezuela as New Drug Shipping Center," *Latinamerica Press*, January 1, 1987, p. 2.

---

*"In Colombia, the agonizing quest for pacification has rarely seemed more unlikely and more illusive."*

## Colombia's Search for Peace

BY JOHN D. MARTZ

*Professor of Political Science, Pennsylvania State University*

**D**URING his 1986 presidential campaign, Virgilio Barco Vargas promised an end to social conflict and political violence in Colombia. Condemning the failures of the incumbent, President Belisario Betancur, the Liberal candidate insisted that only fundamental socioeconomic reforms could turn back the onrushing tide of disorder and death washing across the nation. The activism of a variety of guerrilla movements, the inexorable penetration of national life by rich and powerful drug dealers (*narcotraficantes*), the indiscriminate repression carried out by right-wing death squads, and the broadening scope of endemic crime had mounted in tempo and intensity despite the best efforts at compromise and conciliation of the government of President Betancur.<sup>1</sup>

The gravity of the situation was starkly outlined at Barco's August, 1986, inauguration, when thousands of soldiers and police filled Bogotá's Plaza Bolívar while a smaller number of citizens watched from a distance. This contrasted with the 1982 inauguration when a newly elected Betancur had opened the doors of the presidential palace to the citizenry.<sup>2</sup> When President Barco framed his proposals for pacification, therefore, skepticism was inevitable. Despite a resounding 58 percent to 36 percent victory over the Conservatives' candidate, Alvaro Gómez Hurtado, the new President was confronted with a national crisis that was intimidating in magnitude and complexity.

By late 1988, with the Barco administration well into its third year, prospects for a modicum of domestic tranquility were dimmer than ever. Guerrilla attacks had increased in number; the military was more active and independent of civilian control than before; the drug industry continued to thrive; and Colombia had been singled out by Amnesty International for its human-rights abuses. Oil pipelines were being destroyed; a former presidential candidate was kidnapped; and clashes between or-

inary citizens and police or military personnel increased in severity. When President Barco unveiled a new peace plan in late August, 1988, it was widely perceived as destined to fail. Such was the nature of the political and social climate in what still remained one of the oldest constitutional democracies in Latin America.

The inability of Colombia's traditional parties to moderate their competition had led to a breakdown of the entire system in the early 1950's, stimulating the spread of partisan violence and encouraging a reluctant military to seize power. When the dictatorship of General Gustavo Rojas Pinilla came to an inglorious end in 1957, Liberal and Conservative leaders engineered a constitutional experiment in qualified democracy. Parity (*paridad*) assured equal representation of the two parties in legislative and ministerial-level positions; alternation (*alternación*) provided that the presidency would change from one party to another every four years. The resulting National Front system (Frente Nacional), inaugurated in 1958 under the Liberal Alberto Lleras Camargo, was designed to last until 1974. This was intended to teach a modicum of conciliation and negotiation while encouraging a muting of partisan passions among both Conservatives and Liberals. The Frente effectively served the class interests of the national and the party elites, marginalizing those who were not members of either traditional party.

Those who devised the arrangement were well aware that the Frente was "an agreement of the historical parties, behind which were the dominant economic forces, needing a truce to consolidate their empire and to mold the society which interested them."<sup>3</sup> At the same time, the political atmosphere had been so contaminated by an endless succession of partisan clashes that some form of controlled democratic regime seemed advisable. As the Frente experience unfolded, one of the unanticipated by-products was the progressive alienation of the electorate, which faced a situation in which the vote had been rendered largely meaningless. Political mobilization was difficult when the stakes appeared minimal, and abstention rates grew progressively higher.

<sup>1</sup>For further discussion see Gary Hoskin, "Colombia's Political Crisis," *Current History*, vol. 87, no. 525 (January, 1988).

<sup>2</sup>The author saw the 1986 ceremonies, which contrasted with those four years earlier.

<sup>3</sup>Gerardo Molina, "Notas sobre el Frente Nacional," *Estrategia Económica y Financiera* (Bogotá), no. 12 (June, 1978), p. 16.

As the Frente years passed, there were proposals to retain the system beyond 1974. Constitutional reforms in 1968 extended the bureaucratic principle of parity from 1974 to 1978. More important, it required the chief executive to extend "adequate and equitable" representation to the major party not holding the presidency. Consequently, the so-called *desmonte* of the Frente assured the continuation of bipartisan control of politics. Not until the inauguration of the Barco administration in 1986 did the formalistic power-sharing draw to a close; the new President and the Conservative party hierarchy broke the pattern while blaming one another. This left the incoming Liberal President with responsibility for achieving that moderation of violence that had eluded his predecessors. The desire for pacification and the restoration of an orderly political process was strong, and national expectations were guardedly positive as Barco took office.

### PEACE, VIOLENCE AND HUMAN RIGHTS

In a sense, Barco's perspective on peace occupied the middle ground between the policies of his two immediate predecessors. President Julio César Turbay Ayala (1978–1982) had attempted to eradicate the problem by draconian means. Aided by a new law of national security, Turbay, in effect, had unleashed the military on the guerrilla forces. When experience showed that draconian measures were inadequate, the stage was set for the conciliatory approach of Belisario Betancur (1982–1986). Truces were signed with three guerrilla movements: the M-19 (Movimiento 19 de Abril); the Armed Forces of the Colombian Revolution (Fuerzas Armadas de la Revolución Colombiana—FARC); and the Popular Army of Liberation (Ejército Popular de Liberación—EPL). These were to be followed by an ill-defined "National Dialogue" that would enunciate government support for democratization, including a constitutional amendment providing for the first time for the popular election of mayors and local councillors.

By the close of 1985, however, two of the three truces had broken down completely. Furthermore, any realistic hopes for the Betancur administration's success were shattered by the M-19 seizure of the Palace of Justice in early November. The revolutionaries sought to negotiate a series of demands, but the occupation turned violent when the Armed Forces insisted on a frontal attack. The result was the death of 11 Supreme Court Justices and 41 M-19 members, the gutting of the Palace and the widespread recognition that the military had compelled the President to accept its actions rather than allowing him to negotiate. All that remained of the Betancur effort at pacification was the tenuous cease-fire agreement with the FARC, whose civil-

ian counterpart participated in elections. This newly organized party, Unión Patriótica (UP), polled 4.4 percent of the vote in May for its presidential candidate, Jaime Pardo Leal.

With an estimated 40 percent or more of Colombians living below the poverty line, Barco was one among many who called for structural reforms. During his campaign, he had promised to expand the National Plan for Rehabilitation (PNR) created by the Betancur government, while introducing his own Plan against Absolute Poverty (PAA), which was put into effect shortly after he assumed office. The rehabilitation program provided that government officials were to develop and introduce social programs in impoverished areas; the antipoverty plan stressed jobs and employment in rural areas. Funding for the programs came from the reallocation of existing funds and, as critics have argued, such funding has been inadequate at 4 percent of the gross national product (GNP). Further problems have been produced by the rigidity of the nation's bureaucracy, with projects and action items often languishing on the desks of uninterested state functionaries. These policies also tend to achieve long-range effects rather than to deal with immediate social needs.

Given his insistence that poverty constituted the root of violence, Barco assumed office amid expectations that he would take firm and conciliatory measures. In practice, however, the notion of dialogue gradually receded in the face of increased military and police activity. The military and the police received increased funding, but structural reforms were slow to come. A technician and planner, President Barco immersed himself in elaborate plans as the political environment worsened and the level of violence spiraled upward. Only in January, 1988, following a sharp escalation of violence culminating in the murder of Attorney General Carlos Mauro Hoyos Jiménez, did Barco take direct action—in the form of tougher antiterrorist measures. He ordered a broadening of arresting powers for security forces while creating nearly 5,000 new judicial posts. Declaring in a nationwide address that he would not be intimidated, Barco vowed not to be blackmailed by drug traffickers.

Nonetheless, conditions worsened perceptibly throughout 1988 while urban and rural public security deteriorated. Marxists, leftists, so-called "progressives," labor and peasant leaders, and government critics have been among the victims of violence, along with nationally prominent figures. The assassination on October 1, 1987, of the UP's Jaime Pardo Leal came only a few weeks after Pardo urged the government to move against rightist paramilitary death squads. The UP had become a major target; by the close of 1988, four of its 18

elected congressmen and nearly 500 party members had been killed.

The violence has continued to come from various sources, and it is not only alleged leftists who have been targeted. In addition to government authorities, mainstream politicians have been victimized. On January 11, 1988, gunmen forced their way into the Conservatives' Bogotá offices and kidnapped Andrés Pastrana, son of a former President and candidate for mayor of the capital city. Later released, Pastrana had been seized as a warning by the "extraditables"—drug bosses attempting to discourage enforcement of an extradition treaty with the United States. In April, the pro-*fidelista* ELN (Ejército de Liberación Nacional) gained publicity with the kidnapping of 14 persons, including the citizens of four European countries. Freeing them separately over the next few weeks, the ELN denounced the "oligarchy's crisis of violence" in a series of widely disseminated proclamations.

The ELN's attacks on Colombia's major oil pipeline periodically interrupted shipments from its eastern fields to the Caribbean. The flow was interrupted for a cumulative total of nearly three months in 1988, at a cost to the nation of \$50 million. As the ELN concentrated on economic targets in an effort to oust multinational interests, the M-19 carried out the most sensational act of all when it seized two-time Conservative presidential candidate Alvaro Gómez as he returned home from Mass on May 29, 1988. The Barco administration shuffled the Cabinet, but it rejected proposed talks; negotiations with representatives of labor, the Church, the parties, and the M-19 followed; Gómez was dramatically released on July 20—Colombia's Independence Day—and plans proceeded for a "Convivencia Democrática." Nine days later, in Bogotá, Gómez attended a meeting with rebel leaders and virtually all major groups except the government itself.

Pressed by the military and reluctant to engage in a dialogue with the guerrillas, President Barco dragged his feet on the notion of a special commission. On September 1, 1988, he presented his own peace plan. To be realized during the remainder of his term in office, it consisted of three phases: détente, transition and democratic reincorporation. During the first phase, rebels would suspend all acts of terrorism and violence in order to establish their goodwill. Only then would the government proceed with a bill for congressional amnesty and hold discussions over constitutional reforms. In the period of transition, the government would organize a series of regional dialogues and "normalization councils," accompanied by a cease-fire and the relocation of rebel forces. Jobs for repentant guer-

rillas would be created in both the private and the public sectors. The final stage of reincorporation would include a lifting of the state of siege and new constitutional provisions for unspecified social and political reforms.<sup>4</sup>

The Barco Plan emerged stillborn, however, as criticism came from all quarters. Conservative ex-President Misael Pastrana Borrero called the process slow and complicated; the Liberals called the plan a poorly disguised demand for unconditional surrender by the guerrillas. Bernardo Jaramillo, the president of Unión Patriótica, charged that Barco was assuming there were already winners and losers; he protested the lack of attention to right-wing extremist groups. Before the end of September the Coordinadora Nacional Guerrillera Simón Bolívar, the coordinating body of six guerrilla organizations, derided the peace initiative for failing to go beyond a proposed military solution.

Meanwhile, an influential former defense minister, General Fernando Landazabal Reyes, told the press that the plan's inadequacy showed the desirability of a military figure as President of the republic. General Rafael Samudio Molina, the minister of defense, soon declared that only a military solution would end the violence. By the end of October, 1988, the Barco Plan was clearly dead. Both the FARC and the ELN had launched guerrilla attacks, stimulating General Manuel Jaime Guerrero Paz, the Army commander, to advocate a military solution as the only course of action. Barco's interior minister pronounced the peace agreement suspended and, in Israel, Samudio signed an order for 13 Kfir combat aircraft.

Colombia's already sagging international reputation was the target of growing criticism. Amnesty International's report of April 20, 1988, had been especially damaging, describing a "human-rights emergency" and condemning the military for a deliberate policy of violence and political murder. Although there were widespread complaints that the 16-page document was one-sided, the level of bloodshed was clearly rising. Colombian sources like the Jesuit Commission on Justice and Peace were among many who documented damage and death. Whatever the responsibility of the military or the rhetoric of the government, the penetration of Colombia's social and economic life by the drug industry was proving progressively destructive of law, security and the integrity of the political system.

## DRUGS AND THE ECONOMY

The extradition treaty with the United States signed during the Turbay administration was a major instrument in official government efforts to combat the drug industry. It was during the government of Belisario Betancur, however, that

<sup>4</sup>*El Tiempo* (Bogotá), September 2, 1988.

the ferocity of the battle became evident. A justice minister was assassinated on the streets of Bogotá by gunmen associated with cocaine king Pablo Escobar Gaviria, and the drug dealers made evident their determination to render extradition meaningless. When two of the major mafiosi, Jorge Luis Ochoa and Gilberto Rodríguez Orejuela, were extradited to Spain in 1986, they were released in a matter of days.

Under Barco, Colombia continued to search for a means of reversing the apparently hopeless war with drug traffickers. The problem was underlined by events surrounding the capture of Jorge Luis Ochoa on November 21, 1987. Using a legal technicality, Justice Minister Enrique Low Murtra revoked the order to extradite Ochoa to the United States, and the drug boss was soon freed.

In January, 1988, Attorney General Carlos Mauro Hoyos announced an investigation into the matter, and on January 25, Hoyos was seized and murdered by the "extraditables." At his funeral two days later, Barco was absent, provoking further comments about his apparent inactivity. Later that day, Barco proclaimed a number of antiterrorist measures, most of which dealt with the legal process rather than political reality.

A fleeting triumph for the administration came on February 4, 1987, when Carlos Lehder Rivas was captured in Colombia and was promptly extradited on a United States Drug Enforcement Administration plane. Lehder, sometimes labeled "the Henry Ford of the cocaine business," was regarded as the symbol of the drug-busting collaboration between Colombia and the United States. On May 19, 1988, in a Jacksonville court, Lehder was found guilty as charged on 11 counts of conspiracy and drug smuggling. Two months later, he was sentenced to life plus 135 years, and a fine of \$350,000. At the same time, he had been operating outside the major circles of the industry, and some observers thought that Lehder was a scapegoat to placate United States authorities. Meanwhile, the conflict over extradition to the United States remained a controversial political ping-pong game.

The 1979 extradition treaty, which had been declared inapplicable by the Corte Suprema de Justicia in 1987, led the Barco government to declare that it was prepared to negotiate another agreement with the United States the following year. There was dissension within the administration, however, with a new minister of justice countering hostility from Cabinet-level colleagues. Furthermore, Liberal congressmen indicated an unwillingness to draft new legislation relating to extradition. In June, 1988, a new attorney general announced his support for a new treaty with the United States. President Barco was again reluctant

to take a public stance, even as warfare between rival drug cartels broke out. The Medellín cartel under Pablo Escobar Gaviria had long targeted Miami, while the smaller group of traffickers in Cali developed cocaine and crack markets in New York. By the fall of 1988, with the Medellín dealers driving into the New York drug market, the outlines of an underground war between the two began to emerge in Colombia. A rising level of drug-related killings in both Medellín and Cali testified to the deadly competition.

As outgoing United States attorney general, Edwin Meese had toured South America, calling for the creation of an international drug force. In August, 1988, his successor, Richard Thornburgh, had proceeded to endorse the secret collaboration of some two dozen Latin American and European nations with United States drug agencies. President Barco, however, refused Colombian participation, saying that his country could never accept any form of an international antidrug force. He insisted that the only acceptable international cooperation had to be of a technical nature, like aircraft equipped to detect processing plants in the jungle. Barco otherwise gave few real signs of support for the campaign against the *narcotraficantes*, and the industry remained a major element in Colombia's relative economic prosperity.

Notwithstanding domestic violence and the impact of the drug industry, the nation's economy has remained relatively healthy. The GDP (gross domestic product) expansion for 1988 has stood just above 5 percent, only slightly less than the 5.6 percent expansion for 1987. Commerce has grown at a rate of 5.4 percent, with industry at 4.5 percent and agriculture at 4 percent. Inflation has been holding steady at a rate of 25 to 30 percent for more than a year, although the impact of violence has been cutting into the level of foreign investment. A further problem was caused by tax evasion legislation, adopted in 1986, which cut many rates and in effect reduced government revenue. The Barco government, for whom inflation was a particular concern, tried to maintain control through increasing austerity. Reductions in public spending were nonetheless difficult to implement; competing interests fought for favor as the President temporized or otherwise avoided hard decisions.

(Continued on page 145)

---

**John D. Martz** was recently named editor of *Studies in Comparative International Development*. The author or editor of 16 books and many articles on Latin America, he is currently preparing a companion work to his *Colombia: A Contemporary Political Study* (Chapel Hill, N.C.: University of North Carolina Press, 1962).

---

---

*"If the leaders who found new unity in defeating [General Augusto] Pinochet can maintain that spirit, Chile stands an excellent chance of recovering the dignity, pride and civic consensus that once made it a model for the rest of Latin America."*

# The Chilean Plebiscite: Defeat of a Dictator

BY ARTURO VALENZUELA

*Professor of Government, Georgetown University*

and

PAMELA CONSTABLE

*Diplomatic Correspondent, The Boston Globe*

ON October 5, 1988, Chile's voters defied the calculations of General Augusto Pinochet and took back a 150-year tradition of democracy after 15 years of authoritarian rule. Given the choice of voting "Yes" if they wanted Pinochet to remain President through 1997 or "No" if they preferred open elections in late 1989, 54.7 percent of 7.43 million registered voters chose elections, while 43 percent chose Pinochet. Even more significant, a repressive military regime accepted defeat at the polls. After two decades of intense ideological upheaval—a three-year socialist experiment under President Salvador Allende Gossens, a military coup and an extended period of anti-Communist rule—Chile took its first step toward democracy. Although Pinochet is one of the last of Latin America's contemporary strongmen to join the trend toward democratization, his defeat signifies the reemergence of a deep-rooted civic culture that made Chile stand apart in a continent famous for coups and revolutions.

However, the transition process far from guarantees a smooth democratic outcome. Pinochet is scheduled to remain in office until the inauguration of a new President and Congress in March, 1990, and he will retain substantial power as army commander and a lifetime senator. Under the restrictive 1980 constitution, one-fourth of the Senate is appointed; Marxist parties are barred from political life; military officials dominate a powerful national security council; and the constitution is difficult to amend. Pinochet's opponents are waging a campaign to persuade the military authorities to modify this formula, but it is unclear how much the armed forces will alter the document they consider their sacred legacy to the nation.

Yet there are reasons for optimism. Foremost is the surprisingly peaceful, orderly manner in which the plebiscite was conducted by all parties. This helped to isolate the political extremes, to restore trust between the civilian and military sectors, and

to prepare the ground for a smooth transition of power. Until election day, government officials feared that the leftists would attempt an insurrection if the Pinochet regime won, while opponents feared that Pinochet would never accept defeat. Instead, the day produced a virtually incident-free exercise in civic discipline whose results not even a dictator could ignore—especially when his own aides had designed the process.

In fact, the results of the plebiscite far exceeded the expectations of Pinochet's opponents. The plebiscite was designed to develop and legitimize "protected democracy"—a form of civilian rule in which the armed forces would retain substantial control to prevent Marxists from returning to power. The deck was stacked against opponents of Pinochet who rose to power with the coup. Opinion polls showed that fear and apathy were rampant in a society where political activity had been severely repressed in the 1970's and had remained subject to intimidation and harassment in the 1980's. The Marxist left, once supported by nearly 40 percent of the voters, remained outlawed, while democratic leaders struggled to regain legitimacy and cohesion after years of dormancy.

The government commanded all the campaign tools available to a massive military state. In 1987, it began a daily bombardment of "public service" television spots, depicting a prosperous and peaceful Chile and contrasting this with ominous flashbacks to Allende-era strikes and violence. As the election drew near, these advertisements shifted to more obvious campaign tactics, urging voters to cast their ballots for "democracy, YES." Pinochet began appearing at rallies, packed by women's civic organizations and prominently replayed on the evening news, dressed in civilian clothes and projecting a smiling, avuncular image. Although a series of new laws adopted in 1987 permitted some political activity, government opponents were excluded from television campaigning until one month

before the plebiscite, and they were consistently denied access to public facilities.

The political machines of Chile's mayors and governors, who were all appointed by the regime, were also enlisted in the progovernment effort. Public offices functioned openly as campaign headquarters, and the recipients of job or housing subsidies were subjected to subtle harassment, including letters suggesting they might lose these benefits if the "No" vote won. Loyalists were offered extra benefits ranging from sacks of flour to bicycles. It was also widely reported, although never proven, that police recruits and other public employees were responsible for the elaborate, illegal "Yes" graffiti that blanketed many towns and cities, while the furtive, spray-painted "No" slogans were systematically blacked out.

These imbalances led opposition leaders and international human-rights groups to complain by early fall that a condition of "atmospheric fraud" had tainted Chile's electoral process. A particular concern was the continued long-term imposition of several "states of exception," which permitted arrest without warrant, arbitrary censorship and other limits on political activity. "Fundamental rights and freedoms continue to be denied systematically, and an atmosphere of profound uncertainty prevails [which is] severely prejudicial to a fair vote," charged Americas Watch, in a thick report on pre-election conditions released in July. Reflecting this uncertainty, many voters were convinced that despite an array of technical precautions, the government would punish them for voting "No."<sup>1</sup>

Officials denounced such criticism as sour grapes or foreign intrusiveness and pointed to Chile's modern vote-counting system as proof of its commitment to a fair election. Beginning in February, voters were strongly encouraged to register. By August 30, when registration closed, it had reached the unprecedented level of 92.1 percent of voting-age adults. To discourage official fraud, opposition groups set up several parallel computer systems, including a quick-count system established by the independent Committee for Free Elections, backed by facsimile-machine deliveries of results. This effort proved crucial in convincing key government supporters to concede on election night.

The government permitted non-Marxist groups to register as parties if they could gather approximately 33,000 signatures each. Eventually, three centrist opposition parties (the Party for Democracy (PPD), the Humanists and the Christian Democrats) and two progovernment groups (National Advance and National Renovation) were able to register nationwide. The electoral law permitted

poll-watchers to observe the balloting, scrutinize the count and obtain an official certification of the results. Although many citizens were reluctant to be identified as opposition poll-watchers, the "No" campaign ultimately found and trained enough people to monitor the 22,131 polling places.

On August 24, under pressure from civilian conservatives, the regime announced that it was lifting the states of emergency, removing the most important justification for condemning the election in advance. One week later, in a move designed to project an image of government moderation and tolerance, Pinochet announced that all remaining political exiles—about 430 people out of the more than 10,000 sent abroad after the coup—would be allowed to return.

Yet critical information about the plebiscite—including the date and the name of the single, official candidate that would appear on the ballot—remained cloaked in mystery, adding to the regime's advantage. It was widely believed that Pinochet intended to be the candidate, but in campaign speeches he merely called for a "projection" of the regime's policies, denying his opponents a personal target. Moreover, the constitution allowed authorities a three-month window in which to set the election date, so opposition leaders were further hobbled in developing a strategy and timetable.

The restrictive transition formula also served to divide and confuse Pinochet's opponents, weakening efforts to form a "No" coalition. Many leftists rejected the plan and believed that participating would legitimize a fraudulent exercise from which Marxist groups were banned. The influential Communist party became paralyzed over the issue. Younger militants disrupted voter registration meetings with banners and graffiti decrying "treason." In March, the Manuel Rodriguez Patriotic Front, a network of insurrectionary cells, broke from party control and continued to wage its urban sabotage campaign until it was persuaded to call a truce just before the vote. Eventually, under pressure from rank-and-file members, the Communists endorsed the plebiscite.

The democratic center, meanwhile, expended enormous energy organizing an unsuccessful drive for free elections. Civilian leaders urged the military junta to amend the constitution and permit voters to choose between two candidates. Although some aides to Pinochet had argued that the regime might do better in an open election, the General had no intention of weakening a formula that guaranteed the military a permanent role in governing. The free-election drive might have fared better had the opposition agreed on a candidate.

The opposition finally abandoned hope of a plebiscite alternative in February and 16 parties, rang-

<sup>1</sup>Americas Watch report, quoted in the *Washington Post*, July 30, 1988.

ing from the socialists to the democratic right, came together in a single campaign to support the "No." The campaign was plagued by cacophony and duplication of effort; but as time grew short, a spirit of unity emerged. By June, several major parties had established national networks: the Christian Democrats, the Humanists, the Radicals and the PPD, an "instrumental" group led by the largest moderate socialist party. Volunteers went from door to door, signing up apoderados, and planned rallies. Ricardo Lagos, a socialist economist heading the PPD, galvanized the nation on a television talk show when he turned to the camera and addressed Pinochet, charging him with seeking "eight more years of torture, assassination and human-rights violations."<sup>2</sup>

In August, the command for the "No" opened in Santiago. The organizers discovered that many people were too afraid to attend rallies or poll-watching classes, especially in small towns, but they overcame the problem by enlisting citizens who had been local leaders before the coup.

While this patchwork volunteer effort unfolded, the "Yes" campaign was strengthened by substantial support from the regime, outspending the "No" by a ratio of 30 to 1 in media advertising alone. Yet the regime's management of the campaign proved damaging. The effort to create a united rightist party called the National Renovation was undermined when authorities began to favor one faction, the Democratic Independent Union or UDI (which had close ties to progovernment technocrats) over another faction, the National Union, which was composed of more traditional rightist political leaders. The coalition split in midyear, after UDI leader Sergio Fernández was named minister of the interior to manage the regime's campaign.

Another problem was the candidate. Moderate parties like the National Union believed a civilian stood the best chance of winning, while more fanatical groups like the National Advance insisted that Pinochet was the only figure with the stature to win the plebiscite. Since the nomination depended exclusively on Chile's military commanders, civilian partisans had no way of knowing who their candidate would be until late in the campaign. A final drawback was the campaign's authoritarian style. Among top officials, an incorrect assumption of easy victory was buttressed by state-financed polls predicting that the "Yes" would win.<sup>3</sup>

On August 30, with great ceremony, the mystery of the candidate and the plebiscite date was solved. After a brief meeting, it was announced that Pinochet and the commanders of the air force, navy and national police had agreed that Pinochet would be the candidate in a vote to be held October 5. Although two of the commanders hinted that they might prefer a civilian candidate, Pinochet appeared to have imposed his candidacy with no quid pro quo. The nomination also ignored the nation's council of Roman Catholic bishops' call for a "consensus candidate." That evening, Pinochet delivered a ringing acceptance speech, arguing that he needed another eight years to complete the task of freeing Chile from Marxism. "Liberty can be an instrument of its own death," the General warned.<sup>4</sup> On the streets, Pinochet's nomination was greeted by mass protests, and police battled young demonstrators into the night. The next day, opposition spokesman Patricio Aylwin, a former Christian Democratic Senator, called Pinochet's nomination a "challenge to the moral conscience of Chileans."<sup>5</sup>

The final stage of the campaign then began, with state-controlled television opened to propaganda by both sides. Authorities scheduled 15 minutes of daily back-to-back air time for the "Yes" and "No" campaigns. Although aired late at night, the campaign spots quickly became a national "must-see." After the plebiscite, a survey by the respected Center for Public Studies (CEP) showed that 93 percent of registered voters had watched the spots, and that the superior technical quality and stronger human appeal of the "No" spots played a major role in convincing voters that the opposition could be trusted and could address people's economic worries.<sup>6</sup>

As the battle of the "spots" raged, a war of opinion polls was also in full swing. During the year, numerous research organizations conducted house-to-house surveys on economic and political issues. Not surprisingly, most of the antigovernment groups concluded the "No" would win and all the progovernment polls predicted the opposite. The surveys also revealed that many voters either were uncommitted or were afraid to state their preference and had little confidence in any leader. Even more significant, the respected CEP poll, which concluded that the "No" campaign would win, was not released until after the vote, although it had circulated among government officials a week earlier. It is not clear whether Pinochet knew its results, but after his loss he bitterly accused top aides of "deceiving" him about his prospects in the plebiscite.

The contradictory nature of the polls reflected a genuine division among Chileans so deep that social scientists began to speak of "two Chiles" in the nation of 10 million. One Chile embraced those who had benefited from the competitive economic

<sup>2</sup>*The New York Times*, June 30, 1988.

<sup>3</sup>*Boston Globe*, August 15, 1988.

<sup>4</sup>*El Mercurio*, August 31, 1988.

<sup>5</sup>*La Epoca*, September 1, 1988.

<sup>6</sup>Brockbank & Associates, *Estudio Nacional de Opinión Pública de Chile*, prepared for the Center for Public Studies, Santiago, September, 1988.

policies and welfare subsidies instituted by the regime and who had been persuaded that power was best entrusted to the armed forces. With Chile in its third year of a more than 5 percent growth rate and an inflation rate less than 20 percent, officials were convinced that their campaign image of "Chile: A Winning Country" would prevail. The other Chile consisted of those who had been victimized by the regime, who did not identify with Pinochet's anti-Communist cause, and who had quietly nurtured a belief in democracy. Tens of thousands had lost skilled jobs in the economic "adjustment" process and real wages had dropped dramatically since 1970. Chile's economic miracle had also created a silent mass of downwardly mobile breadwinners.<sup>7</sup>

As election day approached, tension grew. There were protests and reports that police were harassing opposition rallies and seizing voter registration cards. Officials stepped up near-hysterical warnings that a victory for the "No" would bring Communist chaos. In some rural areas, opposition workers reported receiving anonymous threats and decided to send their families away until after the vote; or they slept in different houses every night for fear of attack. "The tension was incredible. We all feared that if the 'Yes' won, we would have to go into hiding," later recalled one "No" leader in a town in the south of Chile.<sup>8</sup>

Officials were also apparently worried that the far left would unleash insurrectionary violence on election night. In the days before the plebiscite, returning Marxist exiles made several inflammatory statements, and senior Communist leader Volodia Teitelboim called for a "provisional government" to replace Pinochet. Repeated street protests broke out in major cities. In the week before the vote, power stations were dynamited on two different nights, and pamphlets appeared exhorting the masses to take to the streets on election night. Marxist leaders disavowed the pamphlets as regime disinformation; and after secret negotiations with democratic opposition leaders, they agreed to make sure no leftist violence erupted to mar the plebiscite.

In the face of such alarm and confusion, the orderly atmosphere of election day came as an enormous relief to a nation that had half-expected the exercise to end in mayhem. It was also a stunning victory for opposition leaders, who had risen to the

<sup>7</sup>For a debate on the "two Chiles," see Joaquín Lavín, *La Revolución Silenciosa* (Santiago: Editorial Zig Zag, 1988); and Eugenio Tironi, *Los Silencios de la Revolución* (Santiago: Editorial Sur, 1988).

<sup>8</sup>Interview with the authors in Chile, August, 1988.

<sup>9</sup>The account of palace events that night is based on interviews by the authors, and on articles in *Que Pasa*, October 13-19, 1988; *Boston Globe*, October 13, 1988; *Apsi*, October 24-30, 1988.

occasion by overcoming internal squabbles and had agreed on a single campaign spokesman, Christian Democratic leader Patricio Aylwin. Throughout the day, Aylwin used the opposition radio station Cooperativa to urge supporters to vote early, to go home and to stay off the streets until the final results had been confirmed. Voters lined up early, many dressed in their Sunday best, and by mid-afternoon many polling places were empty. The armed forces, charged with guaranteeing order at each site, behaved with restraint and care, and few incidents were reported.

But getting out the vote was one thing; confirming the results was another. By 9 P.M., the opposition's computers had tallied tens of thousands of votes that showed a clear advantage for the "No"; the Ministry of the Interior had announced results from only 79 polling places with a "Yes" advantage. Rumors of tense meetings in the presidential palace began to circulate. Later sources, including National Renovation leaders, reported that top Ministry of the Interior aides had proposed releasing a false count of one million votes showing the "Yes" ahead. This would have encouraged "Yes" supporters to pour into the streets to celebrate "their" victory, provoking violent counterdemonstrations by "No" supporters. These same officials had also asked police and military units to withdraw from downtown areas, apparently expecting that civil disorder would result in military intervention and a possible cancellation of the plebiscite.<sup>9</sup>

By 10 P.M., opposition leaders were seriously alarmed. The government had released only 182,000 votes showing the "Yes" ahead and had blocked out television reports of opposition figures showing the "No" leading with half a million votes counted. Fearing riots, the "No" leaders contacted National Renovation leaders and persuaded them that their count was valid and that the "No" had won; Renovation leaders called the palace and insisted that accurate figures be released. The acceptance of the "No" verdict by leaders of the Right and the armed forces, combined with the refusal of police and army officials to withdraw their troops, ensured peaceful acceptance of the results. At 2:40 A.M., Minister Fernández conceded that the government had lost and offered his resignation to his enraged superior.

It may never be known how close Pinochet or his  
(Continued on page 152)

---

**Pamela Constable** is diplomatic correspondent for the *Boston Globe*. **Arturo Valenzuela** is the director of the Latin American Studies Program, Georgetown University. Both authors spent the month of August, 1987, in Chile and returned to observe the plebiscite.

---

*"Argentines have not yet decided how they can overcome their authoritarian past."*

# Campaigning for President in Argentina

BY GARY W. WYNIA

*William Kenan Professor of Latin American Politics, Carleton College*

**W**HEN President Raúl Alfonsín appeared on television in October, 1988, to announce that presidential elections would be held May 14, 1989, he reminded viewers that "in stable democracies such announcements are routine. . . . in a country like ours that has suffered discord and disaster, it is a special event that we must value and exalt."<sup>1</sup> Indeed, in Argentina it would be the first time since 1928 that one elected President would replace another. Nevertheless, there were no celebrations. Most Argentines were preoccupied with the sad state of their personal finances, not with the success of their democracy.

After lowering the annual inflation rate to 81 percent by imposing wage and price controls with his Austral Plan in June, 1985, President Alfonsín watched prices rise again, until the rate reached 290 percent in 1988. To deal with inflation before it got too far out of hand, Alfonsín announced his Primavera Plan in mid-September, 1988; he chose to rely this time on voluntary wage-price restraints by labor, industry and commerce to cut the monthly rate of inflation. Alfonsín's strategy was successful for a time, with the monthly price-increase rate dropping from 28 percent in August to 12 percent in September. He also opened the economy, creating a three-tier tariff scheme, reducing tariffs to 10 percent on goods not manufactured in the country, to 15-30 percent on nonconsumer goods made in Argentina, and to 40 percent on homemade consumer items. Alfonsín was aided by a drought in the United States that boosted world grain prices and doubled Argentina's trade surplus.<sup>2</sup>

But none of these measures could make up for one simple fact: in 1988, Argentine industrial wages were only 73 percent of what they had been when Alfonsín took office in 1983, and there were no prospects of improvement in the near future. Though Argentine workers lost less income than workers in indebted countries like Mexico (where austerity measures were far more severe), they were not happy with their condition, nor were many

middle class workers happy. After putting great trust in Alfonsín, making him the nation's most popular President since Juan Perón, Argentine workers lost what little faith they had previously had in his economic rescue operation.

The inflation problem stemmed partly from the Alfonsín administration's inability to control the public sector. Alfonsín did reduce the deficit from 15 percent of the gross domestic product (GDP), the high point reached by the armed forces, to just 4 percent of GDP in 1986, but he did not prevent a subsequent increase to 7.2 percent in 1988. Resistance to cuts in public spending came from many familiar quarters, including Minister of Public Works Rodolfo Terragno's attempts to reduce the fiscal burden by selling portions of Argentina's state corporations to state-run companies in Europe.

In 1988, the government had placed its 13 largest enterprises under a single directorate that fell under Terragno's jurisdiction. With the losses of these enterprises accounting for 51 percent of the government deficit, it was clear that remedies were desperately needed. Terragno decided to sell 40 percent of Aerolineas Argentinas to the Scandinavian Airline System (SAS) for \$204 million, retaining a controlling 51 percent interest for the Argentine government and distributing the remaining 9 percent to airline employees. He also reached an agreement with the Spanish government's telephone company to sell it 40 percent of Entel, the Argentine phone company. In the case of Entel, Terragno stressed the need for new management; the operation was regularly exploited by private Argentine firms that habitually overcharged the government for supplies by as much as \$2 billion annually. Although public opinion favored both deals in the hope of better service, labor unions, local suppliers and nationalist legislators nonetheless blocked congressional ratification.<sup>3</sup>

Argentina's payments on its \$56-billion foreign debt have been an immense economic burden; interest on this debt reached \$4.7 billion in 1988, more than the government could pay. Throughout 1988, officials played their customary delaying games with the International Monetary Fund (IMF) and private bankers, leading the IMF to suspend loans to Argentina for a time during midyear.

<sup>1</sup>Clarín, Edición Internacional, October 17-23, 1988, p. 1.

<sup>2</sup>The Economist (London), September 24, 1988, p. 95.

<sup>3</sup>These transactions have been covered in great detail by the Argentine press, but the best summary in English is Alan Riding's article in The New York Times, November 28, 1988, p. 29.

Not surprisingly, the market value of the Argentine debt fell further and faster than any other debt in the region. The secondary-market price of Argentina's outstanding loans descended to 18 percent of their face value, from 60 percent of their value the year before. Argentina's old loans are undesirable because no one believes that most of them will ever be repaid.<sup>4</sup> Still, Argentine authorities try to pay some of their debts because they fear losing access to the capital that their trade and development requires. Without short-term financing, their economy would falter and operate at an even slower pace than it did in 1988, a year when the economy grew by less than 1 percent. Like the other large debtor nations, Argentina is trapped and the Argentines know it.

### POLITICAL ACTIVITY

President Alfonsín and his Radical Civic Union party once had ambitious plans. With Alfonsín's popularity still high in 1986, the Radicals were going to amend the constitution, which limited Presidents to a single term, in order to permit Alfonsín's reelection. If such an effort were unsuccessful, then the position of Prime Minister could be created to give Alfonsín a chance to govern again. However, in the midst of negotiating constitutional amendments with the opposition Justicialista (Peronist) party (which supported few of them), the Radicals suffered an embarrassing defeat in the midterm congressional elections in September, 1987, losing their majority in the Chamber of Deputies and nearly all their governorships. The political parties of incumbent democratic Presidents often suffer midterm losses, but Alfonsín took the defeat personally and was slow to recover his enthusiasm for leading a nation that had rejected him and his plan.

Suddenly, the Radical Civic Union party, which thought it was blessed with innumerable options, had just one option left: to enter the 1989 presidential election led by Cordoba Governor Eduardo Angeloz, the only Radical who had been elected governor in one of the nation's major provinces. Angeloz was not Alfonsín's first choice, but the President had to accept Angeloz's selection by voters in the party primary. To balance the ticket geographically, Angeloz chose as his running mate Juan Manuel Casella, previously minister of labor under Alfonsín and an unsuccessful candidate for governor of Buenos Aires province in 1987.

Angeloz was elected governor in 1983 and again in 1987. On paper, he had been nearly perfect—an industrious, no-nonsense administrator who put provincial finances in order and rejuvenated Cordoba's economy by attracting private investment. He seemed an ideal person to continue Alfonsín's

effort to restore investor confidence in Argentina; however, success in a province in the nation's interior never guarantees victory in Buenos Aires (city and province), where nearly two-thirds of Argentina's population lives.

Angeloz also had several handicaps. To begin with, his dull, somewhat technocratic and rhetorical style was not exciting. Moreover, he led a minority party, since the Radicals had won only 44 percent and 37 percent of the vote in the 1985 and 1987 midterm congressional elections. The difficulty of Angeloz's task is apparent. He needs a higher vote total to win, and his approach to economics is not popular. Promises to cut the deficit further, to deregulate business and to sell more government corporations have increased the unpopularity of the Radical party.

Peronist plans also failed. The Renovator wing of the Peronist party had charted a course that counted on the party's internal democratization, its growing respectability among urban middle class people, and its victory in the 1989 presidential election. The Peronist front-runner was Antonio Cafiero, a businessman and long-time Peronist politician who was the youngest member of Peron's Cabinet in 1955. Cafiero had cast his lot with the Renovators and, with their help, was elected governor of Buenos Aires province in 1987. But when the Peronist voters went to the polls in the party's 1988 primary, they rejected Cafiero. Instead they chose Carlos Menem, the governor of La Rioja province.

The son of Syrian immigrants who had migrated to the nation's interior and had succeeded commercially, Menem was better known outside his region for his sports-car racing and movie star companions. But he is a Peronist and a Roman Catholic who spent nearly five years in jail when the military governed Argentina. A member of the Renovator wing of the party for a time, Menem is very popular in La Rioja and has won gubernatorial elections three times. When the primary came in mid-1988, he sought support wherever he could find it, including labor bosses of the old order (like Lorenzo Miguel), who were opposed by the Renovators, and various Peronist politicians in the nation's interior, many of them governors like himself.

Menem won because he promised to represent the workers and the people in the nation's interior, and to make others in Buenos Aires listen. Cafiero played by the rules of the "establishment," but Menem offered a more exciting alternative, which, although it was not very radical, was different enough to express the discontent of most workers. Above all, Menem is an adept politician whose rapport with the average voter is matched by his ability to do business with almost anyone. It might seem otherwise on first glance, since Menem looks some-

<sup>4</sup>*The Economist*, November 26, 1988, p. 112.

what like the stereotypical nineteenth-century caudillo, with his shoulder-length hair and accentuated white sideburns. He is actually modern, pragmatic in his pursuit of power and willing to compromise in order to become President.

Menemism has very little organization or ideology; instead, many Argentines simply wanted to throw Menem the person at the people in power. His interest in ideas is apparently minimal, but as his primary campaign developed, Menem was not afraid to incorporate individuals from the left and the right wings of Peronism (including some of the wealthiest Peronist businessmen) into his political family. After campaigning in the primary as a populist, he toned down his economic platform, clouding everything with ambiguity.

Menem opposed the sale of some but not all public enterprises. He criticized excessive government regulation of the economy, but insisted on some regulation. He also threatened to cancel payment of the foreign debt, while assuring creditors that he would never take such action arbitrarily. When asked how he could accomplish his aims, Menem promised another Peronist "social contract," aimed at uniting industry, agriculture and labor behind the government. While almost no one believed that this would be easy, many people enjoyed listening to his recitation of old populist verses.<sup>5</sup>

Menem still has his work cut out for him, starting with his need to unite the Peronists and to keep Peronist supporters in line. He has promised positions in his administration to members of various factions and has embraced Cafiero in public at every opportunity. Menem was also quick to visit European capitals, assuring Argentina's creditors that he is civil and is eager to negotiate lenient solutions to the country's indebtedness. Menem's primary task, however, is winning votes at home, which means overcoming his own party's minority status (41 percent of the national vote in 1987). Menem must convince middle class voters that he poses no threat, while at the same time he promises to make the working class more affluent.

There are other political parties, of course, but only one received more than 5 percent of the national vote in 1987. The Union de Centro Democrático (the Union of the Democratic Center-UDC) won exactly 5.7 percent of the vote and seven seats in the Chamber of Deputies. As expected, it nominated its founding father, Alvaro Alsogaray, for the 1989 presidential contest. Alsogaray has tried to portray himself as the Milton Friedman of Argentina, though few give him credit for much knowledge of economics even when they agree with him. Nevertheless, his small party appeals to some urban

middle and upper class voters who agree with his ideas about free enterprise.

Together, the Radicals, the Peronists, and the UDC won 84.4 percent of the vote in 1987. The remaining 15.6 percent went to several minor parties, many of them regional. If either Angeloz or Menem can retain his party's loyal supporters and win most of the 15.6 percent who prefer their own candidates in local and congressional elections, he will probably win. Figuring out how to achieve this will absorb the attention of campaign managers and many unsolicited advisers until election day.

## THE PRESIDENTIAL CAMPAIGN

The first polls taken after the mid-1988 primaries gave Menem 40 percent of those polled, while Angeloz and the Radicals were favored by less than 20 percent. The Radicals were left with a familiar choice between the high and the low roads for dealing with the Peronists. The first option involved treating the Peronists as the loyal opposition and addressing the social and economic issues on which two reasonable candidates could properly differ. The low road, in contrast, was what Alfonsín had taken in 1983, namely, reminding voters of the chaos bred by the Peronist government the last time Peronists won the presidency, warning that similar results would follow Menem's election. It was not a matter of one party being too far to the left or the right, but simply a case of the Radicals convincing citizens that, although Angeloz was uninspiring, he was the only candidate who could preserve order in what could become a volatile political process.

The Radicals have experimented with both roads, with Alfonsín and Angeloz each testing the waters for public reaction. One day, Alfonsín met with Menem and other Peronists in his effort to coordinate his economic policies with the opposition; a few days later, he labeled Menem the country's worst governor and a financial adolescent. The Radicals also drew attention to the lack of cohesion in the Peronist party, stressing what they claimed were debilitating differences among the 20 Menemistas, the Renovator majority and the nonaligned factions in Congress, without specifying what these differences were.

The Peronists gave Angeloz more ammunition when the General Labor Confederation called a one-day general strike in September. The strike turned violent. Only 20,000 persons showed up at the rally, but commotion broke out soon after it began: some people smashed store windows and the police used tear gas to break up the rally. Nearly 100 people were injured, half of them police, an event that had not occurred earlier in Alfonsín's presidency. Labeling the day "Black Friday," Angeloz warned that the Peronists were out of con-

<sup>5</sup>*Latin American Regional Report*, September 8, 1988, p. 4.

trol. It did not matter that Menem had deliberately skipped the rally and had had nothing to do with the violence. For the Radicals, this was a prime opportunity to defame the opposition, and they took advantage of it, as they did when Menem told the press that it was all the government's fault because it was trying to promote a coup to escape the blame for its economic failures.<sup>6</sup>

## SOCIAL ILLS

It is well known that many Argentines are worse off today than they were a generation ago. For 15 years, social conditions have deteriorated, swiftly under the military when it redistributed wealth upward and reduced industrial employment by almost 30 percent in the late 1970's, and then more slowly in the 1980's as a result of economic austerity measures. To its credit, the Alfonsín administration has tried to soften the impact of adversity with new housing and food programs, but these efforts have not prevented a real worsening in the nation's social condition, according to a recent study by the World Bank.<sup>7</sup>

Real wages dropped by 37 percent between 1974 and 1985, with the share of wages falling from 51 percent of GDP 15 years ago to just 36 percent of GDP when Alfonsín took office. Despite the fact that the military government increased public expenditures by 17 percent, that same government (1976-1983) actually spent 17 percent *less* on social services. Inefficiencies in the delivery of social services are still notorious, and the gap between the demand for and the supply of public social services is increasing as shortcomings become more visible, especially in public hospitals, primary schools and low-income housing. Federal and provincial governments have demonstrated little capacity for planning, budgeting and supervising improvements. As a result, the Argentine public sector resembles the public sectors in some much poorer nations.

Whoever is elected President in 1989, he will not find an easy way to improve social conditions, because better services will cost far more in salaries and in new facilities than the government can hope to collect in taxes. To borrow more, as many of the provinces have done recently, is no longer easy; neither is the recruitment of new teachers, hospital administrators and accountants. The World Bank recommends increasing user charges for social services, which are currently meager to nonexistent; however, like raising taxes in the United States, in-

creasing service fees is anathema to Argentine politicians who want to win elections.

## MINI-MUTINIES

Argentines have not yet decided how they can overcome their authoritarian past. Just before 1988 ended, civilian judges convicted General Leopoldo Galtieri and his two junta colleagues of misconduct in the Falklands War. In April, 1988, the Senate finally approved a new defense law after three years of debate but it did not resolve many important issues, including responsibility for the nation's internal security. Instead, it confined itself to external defense and asserted that internal problems would be handled in future legislation. But postponement of important issues satisfies neither the military nor the public.<sup>8</sup>

A few rebels in the armed forces have found a way to express their discontent, as was demonstrated twice in 1988. Were it not for having lived 14 of the past 24 years under military rule, civilians might be tempted to dismiss what unfolded as comic opera, but now they know that they cannot afford to be so lax. In 1987, Lieutenant Colonel Aldo Rico led a rebellion during the Easter holiday. As a result, Congress passed legislation limiting the prosecution of military officers who killed civilians during the "dirty war" a decade earlier to officers only at the highest ranks. Rico instigated another rebellion in January, 1988, but met with less success; his commanders arrested and jailed him. Then, on December 1, 1988, when President Alfonsín was speaking at the United Nations (UN) and meeting with United States President-elect George Bush, rebellious troops took over the infantry school at the Campo de Mayo base outside Buenos Aires. Their leader, the 54-year-old Colonel Mohamed Ali Seineldin (who had led commandos with some distinction in the Falklands/Malvinas War) had been stationed in Panama to keep him at bay. But Seineldin flew to Uruguay and was brought across the Rio de la Plata by Coast Guard commandos who joined his rebellion.

Overthrowing the democratic government was not his purpose, Seineldin insisted; rather, like Rico, he demanded an end to the prosecution of officers for what he called their patriotic efforts in a war against internal subversion. In addition, Seineldin called for higher pay, since the real income of officers had fallen even more rapidly than

(Continued on page 144)

<sup>6</sup>*Latin American Regional Report*, October 13, 1988, p. 2.

<sup>7</sup>The data that follows is taken from World Bank, *Argentina: Social Sectors in Crisis*, 1988.

<sup>8</sup>For the complete text of the new Defense Law see *La Nación*, April 14, 1988, p. 18.

Gary W. Wynia is the author of *Argentina: Illusions and Realities* (New York: Holmes and Meier, 1986) and *The Politics of Latin American Development*, 2d ed. (New York: Cambridge University Press, 1983).

---

*"In view of the reformist aspirations of the government of President [Rodrigo] Borja, Ecuadorans are likely to expect material gains and expanded political participation from their first social democratic government."*

# Ecuador Swings Toward Social Democracy

BY CATHERINE M. CONAGHAN

*Assistant Professor of Political Studies, Queen's University*

THERE was irony in the final year of the administration of Ecuador's President León Febres Cordero. Elected to his country's highest office in 1984, Febres Cordero had promised to preside over a leaner and more efficient state—one committed to honest public administration and to the reinstallation of market principles in the management of the economy. But by 1988, the administration's original commitments to efficiency and neoliberal economics had all but evaporated. Top government officials fled to the United States to avoid prosecution on corruption charges. The centerpiece of the government's neoliberal reforms, the free market exchange system, was abandoned in March, 1988. And even in the face of a serious fiscal crisis, government expenditures continued to balloon. The Febres Cordero government, which had prided itself on its managerial expertise and toughness, drifted out of control.

The government's loss of control was as evident in the political as in the economic sphere. Febres Cordero's failure to secure an electoral constituency and his lack of interest in party development gave way to political disorganization on the right. The ultimate beneficiary of this was Febres Cordero's longtime rival Rodrigo Borja of the social democratic Izquierda Democrática (ID). Borja lost his second presidential bid to Febres Cordero in a narrow race in 1984. But Borja survived the crowded first-round election in January, 1988, and went on to win the May runoff election against Abdalá Bucaram, the populist challenger from Guayaquil.

Borja's victory was as much a product of the failure of the Febres Cordero presidency as it was a reflection of ID's sustained organizational efforts since 1970. The incoherence in economic policy-making that plagued the end of the Febres Cordero presidency led to a rising inflation rate and a mounting fiscal deficit. The mismanagement of the

economy only compounded the public's disenchantment with the government's political conduct since 1984. Febres Cordero's inability to tolerate opposition led to conflict among the executive, legislative and judicial branches. Even the armed forces were drawn into the succession of political confrontations—leading to violent eruptions in their ranks in 1986 and the brief kidnapping of León Febres Cordero by air force paratroopers in January, 1987.

From 1984 through 1988, Ecuador staggered under a double burden of economic and institutional crises that threatened to rupture the democratic regime altogether. All this created the basis for the election of Rodrigo Borja and the backlash against the right. While Ecuadoran democracy has survived the onslaught of the last four years, the key tasks facing President Rodrigo Borja are to reestablish public confidence in the institutional structures of government and to reinject sobriety into a political culture that has been subjected to erratic doses of authoritarianism and populism. In the years to come, the Borja government will be wrestling with the political ill-will and economic collapse left by the Febres Cordero administration.

## THE LEGACY OF FEBRES CORDERO

Ecuador's halting experiment with neoliberal economic measures came to a close on March 3, 1988, when Febres Cordero announced the end of the free market foreign exchange system. After some initial reforms early in the administration aimed at unifying the exchange system, the government had created a free market system in August, 1986. The reforms floated the sucre and allowed importers and exporters to buy and sell foreign currency without restriction. Febres Cordero and his economic advisers regarded these reforms as the crowning achievement of their administration and a demonstration of their commitment to the deregulation of the economy.

After the reforms were enacted, Finance Minister Alberto Dahik boasted that the measures would "last a thousand years."<sup>1</sup> Central Bank President Carlos Julio Emanuel believed that the reforms would create a "natural" base of support among

<sup>1</sup>Dahik is quoted in Osvaldo Hurtado, *El Fracaso de un Experimento Neoliberal* (Quito: Fundación Ecuatoriana de Estudios, n.d.). For further discussion of the neoliberal experiment in Ecuador, see Abelardo Pachano, "Políticas Económicas Comparadas: Ecuador 1981-1987," in Corporación de Estudios para el Desarrollo, *Neoliberalismo y Políticas Económicas Alternativas* (Quito: Cordes, 1987), pp. 205-242.

farmers and businessmen—a constituency that no future government could afford to ignore.<sup>2</sup> Thus, Febres Cordero and his economic team were relatively unconcerned about the need for a political coalition to ensure the future of the market-oriented reforms. The notion of building support via “technically correct” policies dovetailed neatly with the antipolitical predispositions of the economic team and the President’s own lack of interest in party-building.

By 1988, however, the fevered demand for dollars had forced the value of the sucre to new lows and had prompted the government to reverse its “historic” measure. Ecuador’s poor economic performance and the political uncertainty surrounding the presidential elections contributed to the progressive dollarization of the economy and the decline of the sucre. To halt the plunge of the sucre in the aftermath of the first round of the elections, Febres Cordero reinstated controls on the exchange system.<sup>3</sup> A three-tiered system was reestablished in place of the free market. Exporters and importers were legally obligated to make their transactions within a “controlled-free” market in which exchange rates were to be determined by the Central Bank. An “intervention” market determined the rates for public sector transactions, and the “free-free” market was allowed to supply the residual demand for dollars.

Business opposition to the reinstallation of Central Bank controls brought government sanctions against those who defied renewed regulation. In late March, two leading Guayaquileño exporters, Miguel Marchán and Hugo Albán, were imprisoned for trafficking in the “free-free” market instead of directing their dollars into the “controlled-free” market. In a strange twist, Febres Cordero found himself at odds with his former allies in the business community for reverting to the state regulation he had so often denounced as leader of the Guayaquil chamber of industry in the 1970’s.

With the exchange reforms reversed, there was little substance left in Febres Cordero’s economic program. In contrast to Bolivia’s neoliberal variant under the current government of Victor Paz Estenssoro, neoliberalism under the Febres Cordero government was not marked by a radical shock treatment. Instead, its original designers, like Central Bank president Carlos Julio Emanuel, had emphasized a more gradual approach. Tariff reductions were enacted only after long negotiations with

industrialists in 1986. Wages were not frozen and there were no massive cutbacks in the public sector. Most of the energies of the economic team were devoted to monetary reforms, renegotiating the debt and encouraging foreign investment.

But poor export performance and continuing problems with the debt undermined the government’s capacity to induce economic growth through its tempered neoliberalism. Dramatically declining revenues from oil, its major export, are at the heart of Ecuador’s current fiscal crisis.<sup>4</sup> From 1985 to 1988, the price per barrel for Ecuadorian crude on the international market fell from \$25 to below \$15. To offset this loss of revenue to the central government, the Febres Cordero government contracted more debt. Ecuador’s total foreign debt is now estimated at approximately \$11 billion. The earthquake of March, 1987, only aggravated Ecuador’s export problems and its debt burden. A large portion of Ecuador’s trans-Andean pipeline was destroyed in the disaster, and the government suspended oil exports and debt payments. Meanwhile, the performance of other exports (coffee, cocoa and shrimp) remained sluggish and could not compensate for the decline in oil income.

Despite the growing fiscal crisis, Febres Cordero was reluctant to restrain public expenditures in his last year in power. The presidential election and Febres Cordero’s own personal agenda may account for this absence of fiscal restraint. By mid-1987, the three economic technocrats who had masterminded the administration’s original program had left the government to enter the political race. Carlos Julio Emanuel became a presidential candidate, while economic advisers Francisco Swett and Alberto Dahik entered the congressional race. With these key economic advisers gone, Febres Cordero’s populist inclinations took precedence over his business-minded attachment to monetarism. He charged ahead with his plan to complete his public works program, perhaps out of a desire to rescue his image after his humiliating kidnapping.

But many projects were of dubious economic value. The most controversial was the construction of the Via Perimetral, an expensive beltway ringing the city of Guayaquil.<sup>5</sup> Much of the public works spending bypassed normal ministerial channels and was administered through ad hoc committees dubbed *unidades ejecutoras*. These committees worked directly with the President’s office under the supervision of Camilo Ponce Gangotena, a Social Christian party leader and an intimate of Febres Cordero’s.

Borja’s election in May only quickened the pace of central government expenditures and aggravated inflationary pressures. The public sector deficit was estimated at 16 percent of the gross domestic prod-

<sup>2</sup>Interview, Carlos Julio Emanuel, Quito, February 5, 1987.

<sup>3</sup>*El Comercio*, March 26, 1988.

<sup>4</sup>*Weekly Analysis of Ecuadorean Issues*, vol. 18, no. 41 (October 17, 1988).

<sup>5</sup>For an exposé of the project see Alfredo Pinoagarte, *El Camino del Poder: La Vía Perimetral de Guayaquil* (Quito: Editorial El Conejo, 1988).

uct (GDP). By midyear, the inflation rate was running at close to 80 percent. In July, President-elect Borja denounced the spending spree and accused Febres Cordero of intentionally mismanaging the economy in order to undercut the new government. Borja declared:

We have no monetary reserves, inflation is out of control, the government is fueling it through monetary and exchange measures so that price rises and inflation explode to cause problems for the incoming government.<sup>6</sup>

The surge in populist-style spending at the end of Febres Cordero's regime was not so much a departure as it was a demonstration of the mixed impulses at work inside the administration. In his 1984 electoral campaign, Febres Cordero combined right-wing populist appeals with probusiness rhetoric. Febres Cordero's desire to project himself as a man of accomplishments fueled the public spending that he had so often criticized when he was a leader of the private sector. Instead of the political stability and conservatism that the business community had expected, Febres Cordero's mixture of neoliberalism and populism was administered in a personalist and authoritarian manner.

The political failures of the Febres Cordero years were far reaching. By 1988, the right, which had united in 1984 to support Febres Cordero in the Frente de Reconstrucción Nacional, was again divided and remained institutionally underdeveloped. Civic manners suffered from Febres Cordero's ultra-macho political style, as opposition politicians were drawn into the vortex of threats and recriminations. Disunity on the right and miscalculations by the administration were important components in the electoral history of 1988.

The first round of the presidential race and the elections for the national Congress took place on January 31, 1988. The elections offered Ecuador's 3.5 million registered voters a choice among 10 presidential tickets. A total of 11 different parties gained congressional seats. Standing as Izquierda Democrática's presidential candidate for the third consecutive time, Rodrigo Borja finished in first place, winning 24.8 percent of the total valid votes. Izquierda Democrática also did well in the legislative race. The party took 29 of the 71 seats at stake in the unicameral Congress, the most seats won by any single party.<sup>7</sup>

Borja's first-place finish was expected—the real

surprise in the first round was the second-place finish by Abdalá Bucaram of the Partido Roldosista Ecuatoriano (PRE). Bucaram took 17.5 percent of the vote; he edged out Sixto Durán Ballén, the Social Christian candidate, and General Frank Vargas Pazzos, the leader of the abortive military uprisings against Febres Cordero. Bucaram's second-place finish assured him a slot in the May runoff election against Rodrigo Borja.

Bucaram's showing shocked every major political player. His flamboyant rhetoric and unconventional behavior were a source of public embarrassment and fascination. Serving as police commissioner and later as mayor of Guayaquil, Abdalá Bucaram honed a political style in the classic tradition of coastal populism. He combined promises of concrete benefits to the urban poor with a colorful anti-oligarchic style. While Bucaram proved immensely popular in the poorest neighborhoods of Guayaquil, his unpredictability and bizarre pronouncements raised questions about his character.

Bucaram's presence in the second round caused a deep political dilemma for the right and tactical problems for the center and the left. Right-wing parties had laid the basis for the Bucaram victory by their lack of coordination in the campaign and the miscalculations of the Febres Cordero administration. Instead of uniting around a single candidate, parties on the right fielded separate candidates. A lack of communication among party leaders and each party's desire to distance itself from the Febres Cordero administration fed the fragmentation.

But this disunity did not necessarily preclude a victory for Sixto Durán Ballén, the leading candidate on the right. Parties of the center and left also fielded separate tickets in the first round. With the votes for the center and left widely dispersed, it was not implausible to think that Sixto Durán Ballén could emerge with enough votes to face Rodrigo Borja in the second round.

Playing on this fragmentation in the party system and the two-round mechanics of the presidential election, Febres Cordero and his advisers made the decision that fundamentally changed the dynamics of the campaign—the government permitted the return of Abdalá Bucaram from political exile in Panama. Always critical of the Febres Cordero government, he had fled to Panama in 1985 after he criticized the armed forces. But in 1987, high-ranking government officials flew to Panama to negotiate with Bucaram on his return to Ecuador. Strategists on the right believed that Bucaram's participation in the first round would attract votes from the centrist and leftist candidates.

While Bucaram did draw support away from other candidates, the performance of the right was nonetheless dismal. Winning close to 15 percent of

<sup>6</sup>For further discussion of public spending see *Weekly Analysis of Ecuadorean Issues*, vol. 18, no. 38 (September 28, 1988), and vol. 18, no. 45 (November 14, 1988).

<sup>7</sup>Complete results for the first round can be found in Oscar Ayerve *¿Quién gana la segunda vuelta?* (Quito: Taski Editora, 1988).

the vote, Durán Ballén failed to win even in his native city of Quito, where he had served as mayor. Taken together, votes for the conservative candidates amounted to only 20 percent of the first-round vote. These parties won only 10 congressional seats. The poor performance of the right was consistent with the overall decline in the vote for these parties that had been under way since the transition elections of 1978-1979.

The strategy of using Bucaram to deflate the center-left vote seriously misfired, leaving forces on the right with a difficult decision in the second round. Borja's social democratic stripes were anathema to conservative supporters, but Bucaram's unpredictability and his base among the urban poor of Guayaquil were equally unattractive. No comprehensive strategy emerged on the right. Febres Cordero's own Social Christian party advised its members to cast a "null" vote as a protest against both candidates.

The campaign for the May runoff election brought the level of political discourse to a new low. Bucaram's uninhibited attacks on Borja ran the gamut of character flaws. Bucaram projected himself as a man in direct touch with the popular classes and persecuted by the oligarchy. His rhetoric was laced with the classic language of earlier Latin American populists; he referred to his followers as *los humildes* or *los descamisados*.

Conscious choices made by each side to emphasize the character issue contributed to the vacuity of the campaign. But the decision to flaunt the character issue was understandable, given the absence of substantive policy differences between the two candidates. On the crucial issue of managing the economic crisis, the candidates took the side of heterodoxy. Both offered a mix of Keynesianism, import-substitution policies and economic nationalism in the formula to deal with the crisis.

As rumors circulated that the armed forces would intervene if Bucaram won, voters cast their ballots on May 8, 1988, without violence or organizational difficulties. By early evening, television stations projected Borja as the winner with approximately 46 percent of the vote. Bucaram trailed with around 40 percent of the votes cast.

Borja's electoral victory was regionally based. He had broad support in the interior provinces of the country known as the *sierra*. In the heavily populated province of Pichincha, Borja led Bucaram three to one. Bucaram dominated the contest on the coast by winning every province. But his two-to-one victory in Guayaquil was not enough to compensate for his poor performance in the interior. Despite the defeat, Bucaram's credible performance established him as a national figure and a likely future presidential contender. The Partido

Roldosista has already named him as its candidate for 1992.

## THE SOCIAL DEMOCRATIC AGENDA

Before his August inauguration, President-elect Borja moved quickly to put the contentious campaign behind him. He reached out to business groups, labor, and other parties in an effort to build a political and social coalition to back his government. Borja's political vocabulary during the transition months was strewn with references to the need for *concertación* and consensus; he also stressed the constraints on policy posed by the deteriorating economy he would inherit.

Cabinet appointments were made with an eye to consensus-building. Despite opposition from party leaders Osvaldo Hurtado and Jamil Mahuad, Democracia Popular entered into a formal alliance with Izquierda Democrática. Democracia Popular appointees Juan Moncagatta and Juan José Pons took two Cabinet posts, the Housing Board and the Ministry of Trade and Commerce, respectively. The presidency of the Congress went to Wilfredo Lucero of the Democracia Popular.

Given the sorry state of public finances, President Borja had to enact an economic austerity program after assuming office on August 10, 1988. His September economic package included 1) a devaluation of the sucre by 75.6 percent, with a weekly crawling peg devaluation established amounting to 30 percent annually; 2) tax increases; 3) import restrictions with a complete ban on vehicle purchases; and 4) a 100 percent increase in fuel prices and a 30 percent hike in electricity rates. In addition, modifications were made in the exchange system to extend the control of the Central Bank over hard currency transactions; this eliminated the intermediary role previously played by private banks. The new economic package was designed to remedy the state's fiscal deficit and to recover international monetary reserves estimated to be \$320 million in the red.

The measures provided no surprises, and there was some predictable criticism by trade union organizations. The Frente Unitario de Trabajadores (FUT), the umbrella organization composed of the three major labor confederations, rejected the measures but refrained from an immediate mobilization against them. Instead, FUT presented a list of 20 demands for discussion. Sensitive to the unpopularity of the measures, the administration tempered the "social cost" of the program with a 15 percent increase in the minimum wage. To tone down reaction to fuel price increases, the government ordered a speed-up in the already scheduled public takeovers of four oil operations: the CEPE-Texaco consortium, the TransEcuadorean pipeline, and

the Anglo and Repetrol refineries in Esmeraldas.

Thus far, President Borja's pronouncements are consistent with the policy directions he outlined in the campaign. In his inaugural address, Borja reaffirmed his commitment to promoting national industries and nontraditional exports and stressed the need for agrarian reform, more rural public works, and a greater role for the state in marketing.

In the foreign policy sphere, Borja has made it clear that he will stake out a more independent and nationalist line in contrast to Febres Cordero's uniformly pro-United States stance. On his first day in office, he reestablished diplomatic relations with Nicaragua. (Ties between Ecuador and Nicaragua had been broken in 1985 after Febres Cordero traded public insults with Nicaragua's President Daniel Ortega.) Another demonstration of Borja's independent foreign policy posture came in November when he met with representatives of the Salvadoran Farabundo Martí guerrilla movement. With regard to the renegotiation of the foreign debt, Borja has instructed his administration to seek rescheduling agreements that will limit payments to avoid endangering future economic growth.

The first months of the Borja government have been devoted to Ecuador's economic emergency and to a political atmosphere of compromise. But Borja's ability to manage the crisis-ridden economy and consolidate the democratic process is sure to be subjected to growing pressures from the party system and from civil society.

## CONFLICTS AND CHALLENGES

A number of politically sensitive issues await resolution during Borja's term. The scope and the strength of antigovernment opposition may well rest on the President's handling of these controversial political decisions.

First, there is the question of how the administration will proceed with reference to corruption cases involving ex-officials of the Febres Cordero government. Charges of misconduct have been leveled against at least four ministers of the previous government and other lower level officials. Rumors that corruption was widespread circulated during Febres Cordero's term. President Borja, the Congress, and the judicial apparatus will have to decide how aggressively to pursue investigations into these matters. Such investigations would probably be portrayed by leaders of the former government as political persecution of the right by Izquierda Democrática. An indictment against Abdalá Bucaram for malfeasance during his term as mayor of Guayaquil is also pending.<sup>8</sup>

Second, the President and the Congress will

establish an important precedent in civil-military relations with their final disposition of the case of the Taura commandos. Currently imprisoned, these air force commandos participated in the kidnapping of President León Febres Cordero in 1987. The administration is seeking to release the commandos without appearing to approve a military action against a civilian President. Legal avenues are being explored that would allow the commandos to be released, but without amnesty. The top conspirators would be obliged to complete their prison sentences. In resolving the Taura incident, the Borja government has to heal the wounds within the armed forces without condoning the rebels' behavior.

Third, the resurgence of the urban guerrilla movement ¡Alfaro Vive Carajo! (AVC) in 1988 raises the question of how the government plans to halt insurgency as it maintains its commitment to clean up human-rights violations. The AVC has been quiescent for the last few years because of Febres Cordero's tough antiguerrilla policies; AVC leaders were killed or imprisoned in the administration's effort to wipe out the movement. But the AVC resurfaced in January, 1988, staging a takeover of radio stations. This was followed by a September kidnapping of journalists. So far, the Borja team has sent mixed messages on how it plans to deal with the guerrillas. Minister of Government Andrés Vallejo originally implied that a "dialogue" between the AVC and the government was possible; but he backtracked in his later pronouncements. There is support within the Izquierda Democrática for a conciliatory approach toward the AVC, but this leaves the party open to charges of selling out to the extreme left.

Finally, like previous Presidents, Borja will have to struggle to maintain his congressional majority and to prevent an institutional impasse. Ideological heterogeneity, both inside the Izquierda Democrática and within the center-left bloc in Congress, could make it difficult to maintain the progovernment majority. Combined with the lack of party discipline and the political ambitions of individual congressmen, this could lay the foundation for a renewal of the debilitating executive-legislative conflict that has threatened to disrupt Ecuadoran democracy on many occasions.

As the Borja government maneuvers through these political minefields, it will continue to be con-

*(Continued on page 154)*

---

**Catherine M. Conaghan** is a Queen's national scholar at Queen's University, Canada. She is the author of *Restructuring Domination: Industrialists and the State in Ecuador* (Pittsburgh: University of Pittsburgh Press, 1988).

<sup>8</sup>*Latin American Weekly Report*, July 14, 1988.

---

# BOOK REVIEWS

---

## ON SOUTH AMERICA

By Mary M. Anderberg

THE POLITICS OF MILITARY RULE IN BRAZIL, 1964-1985. By Thomas E. Skidmore. (New York: Oxford University Press, 1988. 420 pages, notes and index, \$29.95.)

Skidmore's detailed analysis of the two decades of military rule in Brazil will no doubt become as valuable a source for information on the era as was his earlier study, *Politics in Brazil, 1930-1964: An Experiment in Democracy* (New York: Oxford University Press, 1967). In this new work, Skidmore brilliantly surveys the crosscurrents of Brazilian politics and the country's thorny, persistent social and economic problems.

Before reviewing developments in each of the presidential terms during the military rule, he examines the events that led to the removal of President João Goulart and the start of the military revolution. Goulart's situation in 1964 was similar to that of President Getúlio Vargas ten years earlier; the fall of Vargas, Skidmore believes, set the future political agenda in motion. Two critical questions dominated Vargas's presidency: economic nationalism—the treatment of foreign investors and of public or private national capital—and economic equity inside Brazil (particularly the issue of a fair wage policy). Vargas's nationalist, populist policies were anathema to the conservatives and they enlisted the military to drive him from power. The military leaders disliked President Vargas's nationalist policies and were angry about a proposed minimum-pay increase. Vargas fired his labor minister, João Goulart, who had made the wage proposal, but the attacks of his critics continued. Vargas committed suicide in the face of a demand from 27 generals that he resign.

Skidmore describes the army as "always the ultimate arbiter in Brazilian politics." When the quixotic Jânio Quadros resigned the presidency in 1961, some of the military leadership tried to prevent Vice President Goulart from succeeding to the office, charging that as Vargas's labor minister he had placed Communist agents in key positions of union leadership. Other military and congressional leaders believed that the constitution should be honored and that Goulart should be allowed to disprove the accusations.

Goulart's populist reforms in the areas of landholding, education, taxes and housing, his espousal of the radical nationalists who wanted to

change the terms under which Brazil's foreign trade was transacted, and his alliance with labor offended the military. When Goulart began issuing presidential decrees, conservative congressional leaders unsuccessfully tried to muster votes to impeach him.

In 1964, the military engineered a coup that became a revolution. In Brazil, after military intervention there was usually a rapid return to civilian government. But the hard-line military leaders were firm in their intention "to stop the merry-go-round" to delay presidential elections until the political rules changed. In his analysis of events during the five presidential terms of military rule, Skidmore estimates the dimension of repression and torture in the various purges and crackdowns. When he left the presidency in 1967, Humberto Castello Branco thought that the subversives and populists had been purged and discredited, that the economy had been restored, and that Brazil could return to democracy.

His successor, Artur da Costa e Silva (1967-1969), promised to humanize the revolution, but student and worker protest caused him to return to the tough repressive tactics employed immediately after the coup. With the administration of Emílio Garrastazú de Médici (1969-1974), the harshness of the repression intensified and international attention was drawn to Brazil's human rights violations. In 1974, Ernesto Geisel (1974-1979) came to the presidency with an agenda of gradual liberalization that sought to return to some form of democratic government. The death from torture of a prominent television journalist in 1975 and of a union leader in 1976 led to skepticism about Geisel's ability to bring the national security apparatus under control. In 1978, Geisel restored habeas corpus, revised the National Security Law, and revoked the banishment of 120 political exiles. Under João Baptista de Figueiredo, Geisel's chosen successor (1979-1985), amnesty was granted to all those imprisoned or exiled for political crimes since September, 1961; political rights were restored to the politicians who were stripped of their rights under military rule. As Figueiredo moved forward with *abertura*, right-wing opponents opened a campaign of firebombings, but there was no substantial support for a return to repression. The book concludes with the return of civilian government under Tancredo Neves in 1985.

THE MILITARY AND THE STATE IN LATIN AMERICA. By Alain Rouquié. Translated by Paul E. Sigmund. (Berkeley and Los Angeles: University of California Press, 1987. 468 pages, notes and index, \$40.00, cloth.)

Originally published in France in 1982 under the title *L'Etat Militaire en Amerique Latine*, this work of interpretive scholarship illuminates not only the character and function of the military, but also the common forces that have shaped the states and societies of Latin America.

Among the primary forces that characterize Latin American societies, Rouquié identifies "the continuing presence of the conquest . . . [which] one can even maintain never ended and continues today." The continuing effort to exterminate aboriginal peoples, the effect of the demographic catastrophes inflicted on the indigenous peoples, and the social repression imposed on their descendants are all outgrowths of this colonial philosophy. In addition, Rouquié writes, "local ruling classes have worsened the situation of economic dependence by their economic behavior, which is not unlike (at least in motivation) that of the original conquistadores."

Since the conquest, Latin America has suffered from economic dependency; the continent has been exploited not for the benefit of the local population but to fulfill European needs. Crowds demonstrate in Rio de Janeiro because they cannot buy black beans, a shortage triggered by the balance of payments requirement that the nation must produce soybeans for export.

Another critical factor is the lasting social impact of the land tenure system. The mechanism of monopolization and dispossession has been employed in the region since the early European occupation. Historically, the extension of landholdings was not a response to the world market. Instead, it was in the nature of feudal conquest; the *hacienda* was more valuable for its population and its political and social function, than for its economic function. But, Rouquié notes, feudal conquest continues today, fueled by the search for profit. The rapacious acquisition of land continues and in certain states there has been a consolidation of large landholdings, sometimes out of tracts previously divided.

Most important, the long-lasting landholding systems are the foundation of the rigid, hierarchical structure of social relations based on patronage in Latin America. This relationship exists in rural and urban settings, agricultural and industrial societies, and even in Fidel Castro's Cuba. In the area of political culture, Rouquié notes, established political parties are structured around local authorities who, because

of their positions, control the local population. The parties and governments keep control by granting favors, services, and welfare benefits.

The elites' determination to retain the traditional structure of social control in the face of industrialization has been remarkable. But, as Rouquié writes, "this kind of social configuration is certainly more prone to the triumph of despotism than to the establishment of liberal representative systems." He suggests that if one were to identify briefly the most striking aspect of Latin American politics, it would not be the prevalence of coups, but rather the idealistic attachment to the representative institutions of the West. In Latin America, even entrenched dictators reelect themselves regularly. An abyss often separates the written constitution and actual practice, and while lip service is paid to democracy, there is a confrontation between the interests of the "most able" and the "most numerous."

Finally, Rouquié defines the role of the military and the coup d'état in the Latin American state. "The military coup d'état can be understood as the director and arbiter among the societal sectors. . . . regulative, coups—the innocence of the term is not meant to deny their crudeness, even their barbarity and ferocity—are therefore first of all actions by the state against social sectors whose power has grown to the point that they threaten government autonomy or endanger its functioning."

In an epilogue written for this edition, Rouquié asks if the recent retreat of the military in Latin America and the return to civilian rule signal that democracy is on its way to establishing itself permanently. He reviews recent events in Argentina, Brazil, Colombia and Guatemala, and urges caution. "Democracy can only be a collective goal that implies a permanent state of tension," says Rouquié.

DEMOCRACY IN LATIN AMERICA: COLOMBIA AND VENEZUELA. Edited by Donald L. Herman. (New York: Praeger, 1988. 344 pages, notes, glossary, selected bibliography and index, \$45.95.)

This is an analysis of democratic regimes in Colombia and Venezuela by a group of American scholars. Contributors include: Donald L. Herman, Diego Abente, Robert L. Alexander, Enrique A. Baloyra, R. Albert Berry, William A. Hazelton, Gary Hoskin, Harvey F. Kline, John D. Martz, David J. Myers, Daniel L. Premo, Francisco E. Thoumi and Alexander W. Wilde.

(Continued on page 154)

## ARGENTINA

(Continued from page 136)

industrial wages, and for reorganization of the army high command. Alfonsín flew home on December 2, ordered Army Chief of Staff José Dante Caridi to subdue the rebels, and encouraged the public to express its support for constitutional government. Colonel Seineldin moved his troops to the Villa Martelli munitions base and held out for negotiations. Finally, he and General Caridi talked, and 24 hours later the rebellion ended.<sup>9</sup> Alfonsín insisted that no concessions had been made, but a week later, military wages were increased by 20 percent.

The army's leadership is divided between right-wing officers willing to challenge civilian authorities with force and more romantic officers who derive gratification from doing so. Many of the latter refuse to accept the contention that they are "equal" to civilians, claiming that they have a special role that prevents their subordination to civilian authorities.

The crisis was a painful reminder of the military's failure to come to terms with itself and with the democratic government. Most officers oppose the conviction of their fellow officers, but they cannot agree on whether this opposition justifies rebellion against civil authorities to force an end to trials and to force the release of officers already convicted.

In addition, a number of junior officers have not forgiven their military superiors for "bungling" the Falklands/Malvinas War, and they are eager to challenge their superiors' authority. But none of this discontent means that the military want to control the nation again. Officers are well aware of public opposition to military rule, and they know it would be difficult to govern the country if they faced such widespread hostility. Nevertheless, restoring order in the armed forces and subordinating the military to civilian authority will be as difficult for the next President of Argentina as it has been for President Alfonsín.<sup>10</sup>

It was hard to distract Argentine attention from the nation's internal affairs, but Foreign Minister Dante Caputo gave it a try when he won election to the presidency of the UN General Assembly in October. It was a welcome reward for the Alfonsín administration's efforts to bring careful calculation to Argentina's foreign policy; another reward was a General Assembly resolution that exhorted Great Britain and Argentina to begin serious negotiations

over possession of the Falkland/Malvinas Islands, even though no one expected British Prime Minister Margaret Thatcher to comply with the request.<sup>11</sup> The nation also received the largest loan ever made by the World Bank—\$700 million—for several infrastructure construction projects aimed at strengthening Argentina's economy. Ironically, but perhaps encouragingly, the World Bank made the loan at the same time that the IMF was expressing its discontent with Argentina's debt management.

International financial organizations are reluctantly accepting Argentina for what it has become—a nation with the resources necessary for prosperity, but a nation that cannot suddenly overcome its burdensome bureaucracy and punishing indebtedness to take full advantage of these resources. Its economy will not flourish again without basic repairs to national economic institutions. These repairs, however, depend on continuous internal pressure and a willingness to change. This is not the happiest of circumstances for a once-proud people, but there is increasing recognition in Argentina that the choices have vastly narrowed.

## A REAL OPPORTUNITY

Argentines are pessimistic, especially when they see that they are getting poorer. But this pessimism should not obscure important political achievements. For decades, Argentines had been trapped in their own Catch-22. Lacking democratic traditions, Argentina's democratic governments were always fragile. Because they were so weak, they fell easily, preventing the building of a democratic tradition. In 1989, at long last, it is taken for granted that elections will be held on schedule and that a new government will be established. This is no small achievement.

Today, Argentina's political system looks more familiar to the North American and European democracies. In 1988, Argentine political parties held national primary elections to select their respective candidates and the winners launched their campaigns eight months before the election. The nation's press writes about the candidates every day, while the candidates seek the headlines. Commentators speculate about public preference; polls are taken; and popular magazines offer stories on candidates' private lives. This is the stuff of modern democratic politics.

Of course, no one knows how well either candidate will manage the nation's affairs. Many Argentines worry that Menem will offer more entertainment than leadership in these difficult times, demeaning democratic government. Others fear that Angeloz will alienate the working class and will breed greater hostility toward authority.

<sup>9</sup>*The New York Times*, December 3, 1988, p. 3; *The New York Times*, December 5, 1988, p. 3.

<sup>10</sup>*El País*, January 19, 1988, p. 12.

<sup>11</sup>*Clarín-Edición Internacional*, November 14, 1988, and November 20, 1988.

But Menem's advisers insist that his victory will benefit democracy by creating a legitimate two-party system; they claim that his popularity and pragmatism will unify the nation. For their part, Angeloz's defenders agree that the parties should take turns at governing the country, but they believe it will be productive to allow the Radicals more time to deal with the problems they inherited in 1983. Nothing that the Radicals have tried has brought instant prosperity, because they are trying to accomplish fundamental economic reforms. These reforms require more time and more intense effort to control the public sector.

As the 1989 presidential election approached, Argentines knew that their options were limited. Yet, although neither presidential candidate offered them everything they wanted in a President, there is no doubt that most Argentines still prefer to make the choice themselves rather than allowing the military to make it for them. ■

---

## COLOMBIA

(Continued from page 128)

By late 1988, the nation's fiscal deficit was on the rise, while domestic food production was suffering because of increasing rural violence. The administration viewed a restructuring of the debt as an economic necessity. As early as July, the finance minister was trying to negotiate new loans, contending that at least \$1.8 billion was required to meet payments on public investment and servicing of the debt until 1990. With Colombia directing 55 percent of its export revenues to debt servicing — \$970 million toward amortization and \$600 million for interest payments — fresh funding seemed inevitable. The nation's comptroller general, however, argued against such action. He encouraged the official inclination to avoid formal renegotiation, and the administration eventually decided to await the new year.

The continuing vitality of the economy reflected its status as a moderate oil producer, plus sales of coal from the El Cerrejon mine and sales of coffee. Much of the surge in foreign sales came from the dramatic growth of cut flowers, seafood and other nontraditional exports. The drug industry remained an important factor, although precise judgments are difficult. In a recent report, *The Economist* estimated that Colombia grossed as much as \$1.5 billion in drug sales during 1987.<sup>5</sup> Roughly half these earnings were believed to have been re-

<sup>5</sup>As reported in *Latin American Monitor, Andean Group*, vol. 5, no. 8 (October, 1988), p. 589.

<sup>6</sup>For more detailed views of the drug issue, see the discussions of Juan G. Tokatlian, Bruce Michael Bagley, and Jonathan Hartlyn in *The Journal of Interamerican Studies and World Affairs*, vol. 30, no. 1 (Spring, 1988), pp. 133-187.

patriated, compared with official export earnings of \$5.5 billion. Furthermore, Colombian banks via their *ventanillas sinistras*—left-handed windows—permit the ready exchange of black-market dollars for local currency. With drug mafiosi fearful that their assets might be attached in the United States, they have tended to repatriate funds. The repatriation of these profits from cocaine and other narcotics delayed Colombia's movement toward a rescheduling of the foreign debt; these profits also contributed to greater inflation.<sup>6</sup>

## POLITICS AND SYSTEMIC REFORM

Throughout the Betancur period, a rising chorus called for *abertura*—an opening that might renew public support and redemocratize the system. Among the reform proposals was a call for local elections, to be followed by fiscal reforms aimed at redirecting central government sales tax monies to municipal development. Supported by Barco and the Liberals during the 1986 campaign, the electoral reform was realized on Sunday, March 13, 1988, when for the first time in history Colombians cast ballots for mayors, city councillors and state legislators. Because the Unión Patriótica was allowed to participate, optimists held that these elections would indeed open the system significantly. In fact, however, 29 of the UP's 87 mayoral candidates and over 100 party aspirants to municipal councils were killed during the six months before the elections.

This intimidation, designed to discourage UP participation, appeared to have an impact on the process—both for wary voters and for potential leftist candidates. Election day itself was relatively free of violence, and 55 percent of the 11 million eligible voters turned out to select 1,009 mayors and 10,000 municipal representatives. The Liberals reasserted their customary majority status, winning 427 mayors with a total of 2,994,594 votes. The Social Conservatives, as the Conservatives had renamed themselves, polled 2,191,254 votes to capture 416 offices. Expectations for the Unión Patriótica were disappointed when the party, which had hoped to win between 30 and 40 mayoral seats, won only 14. But although the UP was operating under decidedly unfavorable conditions, it recorded a number of successes in the turbulent banana-exporting northwestern region centering on Uraba. This result also constituted defiance of rightist paramilitary gunmen, who had murdered nearly two dozen plantation workers 10 days before the elections.

In the broader competition between Colombia's two traditional parties, the usual victory of the Liberals was seriously diluted by their loss of Colombia's two major cities to the Social Conservatives. In Medellín *El Colombiano* editor Juan

Gómez Martínez won on a strong antidrug campaign, while Liberal dissension opened the way for the triumph of Andrés Pastrana in Bogotá. Late in May, Luis Carlos Galán announced a "fusion" that was, in effect, reincorporation into the Liberal organization. Thus the self-proclaimed reformist movement, which had polled nearly one million votes in 1982, was reabsorbed into the traditional party system.

There were recriminations against President Barco because he allegedly stood by while the Liberals split their votes in Bogotá and handed that powerful mayoralty to the Social Conservatives. In addition, despite the Liberals' congressional majority, the administration was still making little real progress toward democratization of the political system, let alone a reduction of domestic violence. In February, 1988, after a new wave of killings by drug dealers, guerrillas and death squads, the President was moved to pledge a rewriting of the constitution, with proposed changes to be subjected to a popular plebiscite. After a brief wave of enthusiasm from both the opposition and the public, however, the impetus was disrupted when the Consejo de Estado ruled that only Congress could revise the constitution. As a practical matter, this would mean a year or more of discussion and debate. Yet Barco continued to view systemic reforms and shifts of policy as matters for long-range planning rather than swift action.

It was within this context that Barco insisted on structural changes through the mechanism of constitutional reform. In August, 1988, two years after his accession to office, his government officially introduced its plans in Congress. The initial proposal, citing the importance of greater popular participation, featured the right to call national referenda without prior congressional approval. State governors were to be elected directly for the first time in history. The provisions of Article 120 were also to be removed, thus formalizing Barco's departure from a bipartisan sharing of government positions. During the next two months, however, negotiations among Liberal and Social Conservative leaders effectively stripped constitutional changes of meaningful democratization. By November, a revised set of proposals had eliminated the direct election of governors and provisions for popular referenda. Civil rights and fundamental freedoms could be suspended under conditions very broadly defined as terrorist. Revised definitions of national "states of alert" and "states of war" allowed new labels for the

traditional practice of government under state-of-siege conditions. And while such measures effectively blocked channels for increased political participation, the traditional party elites were assured of a continuation of their virtual monopoly of power.

The Liberals and the Social Conservatives would continue to dominate legislative processes and to appoint judges for the Corte Suprema de Justicia and the Consejo de Estado. These, in turn, would name all lower-ranking judicial officials. The measures are likely to help preserve bipartisan control of the political process, but they promise little help to the courts in dealing with crime and violence.

## CONCLUSION

Although a certain level of violence has long been a characteristic of Colombian politics, it has rarely reached such critical heights. Late in October, public demonstrations broke out from Tumaco, along the southern border with Ecuador, to Riohacha on the Caribbean next to the Guajira Peninsula. In Tumaco, protests against inadequate electrical and utility services led to shootings involving the police; more than 30 were wounded and 1 civilian was killed. Riohacha residents also demanded better utility services, along with improved education and health facilities. The authorities again attacked the crowd, causing injuries and arrests. Sympathy marches were held in Pasto and in the Uraba banana region, and it could not be denied (as one observer put it) that neither professional agitators nor radical leftists were responsible. Rather, events stemmed from a system that "a select caste that is small and violent and not worried about the social welfare of the community as a whole."<sup>7</sup>

Growing tensions were also reflected at the universities. In Medellín, long a major center for drug activities, the academic death toll since mid-1987 included 12 students and 10 professors. Professors were shot and killed by government security forces late in October, 1988. Arrests of over a dozen students in Bogotá the same month precipitated a hunger strike and a march by 15,000 students through the streets of the capital. The protesters chanted their opposition to Barco's antiterrorist statute, and even students from the Jesuits' prestigious Universidad Javeriana took part. According to the student press, the protesters included many who had not been previously involved in campus activism. "This reaction," it was charged, "reflects a growing, more widespread indignation among Colombians over the violence. There is so much bloodshed that people cannot ignore the situation anymore."<sup>8</sup>

As 1988 drew toward a close, the crisis grew more

<sup>7</sup>Columnist Jorge Child of Bogotá's *El Espectador* was quoted in *Latin American Weekly Report*, October 6, 1988, p. 11.

<sup>8</sup>See the report from Bogotá by Leslie Gaye Wirpsa in *The Chronicle of Higher Education*, November 9, 1988, pp. A-43 and A-45.

acute. Few Colombians believed that the armed forces were on the brink of overturning the constitutional system—although a noted firm of North American political analysts thought that the Barco government had only a 45 percent chance of surviving its elected term.<sup>9</sup> The violence continued, confrontation between rival forces hardened, and only the relative health of the economy boded well for the immediate future. Even Colombia's relations with its bolivarian neighbors to the east were frazzled, as Venezuela grew increasingly apprehensive about drugs, guerrillas and violence that might spill across the border and produce a so-called "Colombianization" of Venezuelan life and public affairs.<sup>10</sup>

Colombian elites have unquestionably demonstrated superior skills in preserving their hold on power and authority. Whatever the challenges, they have been successful, even when society has changed in response to global forces and influences. Whether stopgap measures and clever temporizing can restrain the formidable forces unleashed in recent years remains unclear. While there are reasonable grounds for anticipating better times a generation hence, prospects for the immediate future can only be termed ominous. When a concerted attack by all six member organizations of the Coordinadora Nacional Guerrillera Simón Bolívar broke out on November 1, the military responded with air attacks as well as angered rhetoric. President Barco was forced to dismiss Minister of Defense Samudio on November 8 and to replace the chiefs of the other services.

Two weeks later, the new defense minister, General Manuel Guerrero Paz, narrowly escaped an assassination attempt that took the lives of three bodyguards. The detonation of a 22-pound charge of dynamite directly in front of the ministry offices provoked a further hardening of attitudes. Two days later, on November 24, President Barco denounced the attack and, in a nationwide address, promised to apply an iron fist. Since Colombia does not recognize the death penalty, he promised the offenders "eternal imprisonment" without recourse to pardon. Despite Barco's rhetoric, this violence underlined the fragility of civilian rule, the restiveness of the military, and the prospects that the government and the guerrillas might be facing another decade of killings. In Colombia, the agonizing quest for pacification has rarely seemed more unlikely and more illusive. ■

<sup>9</sup>Fröst & Sullivan released this report in September, 1988.

<sup>10</sup>For an extended treatment of the topic that discusses the preoccupations and political ramifications for both nations, see John D. Martz, "National Security and Politics: The Colombian-Venezuelan Border," originally presented at the International Congress of Americanists in Amsterdam on July 7, 1988; in 1989, it will appear in *The Journal of InterAmerican Studies and World Affairs*.

## VENEZUELA

(Continued from page 124)

of the nastiest political campaigns in Venezuela's recent history, charges of corruption flew like bougainvillea petals in the wind. José Vicente Rangel, former presidential candidate for MAS (Movimiento al Socialismo), charged in February, 1988, that drug money funded the two major political parties, that the government had paid an exorbitant price for arms, and that Minister of Justice José Manzo González had created a secret antidrug police force, dubbed the "Manzopol."<sup>14</sup> Investigations—but no indictments—followed. José Manzo González resigned in March, 1988, to avoid further embarrassing AD.

Even without the handicap of a divided party, Eduardo Fernández, the COPEI candidate, faced an almost insurmountable challenge. President Lusinchi remained popular. The division between Lusinchi and Carlos Andrés Pérez meant that an attack on Lusinchi did not necessarily damage Pérez. Fernández could not credibly move further left than Pérez on the debt negotiation issue; a position further to the right would be unpopular. Pérez offered a promising target for personal attacks but he was a formidable campaigner who returned the attacks with gusto. The election seemed to be Pérez's to lose, and Fernández could only hope for an opening, which he never received.

In all, 24 parties fielded presidential candidates and parliamentary slates, but no presidential contenders had a chance to cut into the lead of the major parties; no other party could afford to spend the estimated one billion bolívares that AD and COPEI each devoted to the campaign.<sup>15</sup> The MAS and Movimiento de la Izquierda Revolucionaria (MIR) nominated MAS founder Teodoro Petkoff and tentatively agreed to merge the two parties after the election. Since its founding in 1970, MAS has hoped to provide a democratic socialist alternative, but has never received as much as 10 percent of the presidential vote. Some MAS members abandoned Petkoff for the COPEI candidate, prompting cartoonist Zapata to gibe, "Finally the left is uniting—with the right."<sup>16</sup>

The only other presidential candidate of note was the first woman candidate, Ismenia Villaba of the Unión Republicana Democrática (URD). Jóvito Villaba, her husband and the party's founder, was too ill to run. "The candidate with heart," Ismania ran an emotional campaign and the "i" of her first name was dotted with hearts. Despite her gentler

<sup>14</sup>*Washington Report on the Hemisphere*, March 30, 1988, p. 8.

<sup>15</sup>Leopoldo Linares, "Vale la pena votar en diciembre?" *Sic*, vol. 51, no. 509 (November, 1988), p. 389.

<sup>16</sup>*El Nacional*, April 14, 1988.

image, Ismenia advanced few issues of special interest to women, and most of her advisers were men. Women have achieved very little prominence in Venezuelan politics. Although they represent about half of all party members and half the electorate, in the 1983-1984 elections women won no senatorial seats; they won only 6 percent of the congressional deputy seats and 21.5 percent of city council seats. The party leaders who draw up the party slates, or *planchas*, in ranked order have not placed women candidates high enough on the lists to win. In 1987, some women politicians proposed that 30 percent of the potentially winning positions on the *planchas* should be reserved for women.<sup>17</sup>

Many Venezuelans believe that their democratic system needs "democratization" and that the two major parties have dominated the system almost as strongly as the Institutional Revolutionary party in Mexico. Leaders of the smaller parties urged voters to split their vote in 1988, choosing either the AD or the COPEI candidate for President and the candidate of one of the minor parties for Congress. A Congress dominated by the minor parties could, the argument went, check the excesses of the major parties. The highly touted Presidential Commission for State Reform had labored mightily for nearly five years, but had little success in persuading AD and COPEI to accept any meaningful changes. In 1989, the only innovation was that voters could directly elect the relatively powerless state governors.

Frustrated at a system that seemed to become even more secretive during the economic crisis, Venezuelans recently took to the streets in unprecedented numbers. University students and faculty demonstrated or struck to protest the rising cost of living, eroding university budgets, and increasing police repression. In March, 1987, police broke up major university demonstrations in Mérida and Caracas, detaining 180 people in Mérida, some of whom were sent to the hated penal colony of El Dorado. Lusinchi defended the police action, claiming that the students represented "subversive groups . . . linked to drug trafficking."<sup>18</sup> In early July, major nationwide demonstrations protesting inflation and repression left 2 dead and 73 wounded. In his Independence Day speech of July 5, Lusinchi announced that the demonstrations were part of a plot to destabilize the country.

The long university strike that lasted from early January, 1988, until May 7, 1988, was peaceful but troubling. Students and faculty pressed for an in-

crease in university budgets (which had been stable or declining in real terms since 1983), for scholarships and other student benefits, and for faculty (and employee) salary increases to offset the 40 percent inflation rate in 1987. The government had carelessly allowed a cost of living clause to be included in the university agreement of 1982, a concession that no other group obtained. Lusinchi's government knew that giving university personnel a 40 percent increase would prompt similar demands from the CTV and would wreck the austerity program. Since Venezuelans generally perceive university faculty to be well paid in comparison with other workers, Lusinchi received support for his refusal to heed the university demands. The government may also have benefited by having the demonstration-prone universities closed during most of the election year. In desperation, the universities finally agreed to end the five-month strike when the government offered a 5 percent pay raise retroactive to January, an additional 10 percent raise in 1989, a 60 percent increase in the budget for libraries and scientific equipment, and more scholarships and services for students. The government apparently won the battle, if not the war.

Lusinchi might have been expected to deal firmly with street protests and strikes, but he surprised Venezuelans with his harshness toward journalists who criticized the government. In 1986, the Inter-American Press Society counted 87 times that Lusinchi had attacked press freedom during the first two and one-half years of his administration. The co-owner of *El Nacional*, Miguel Enrique Otero, sponsored a resolution passed by the society that asked Venezuela to abandon "growing intolerance." Lusinchi shrugged off the resolution as a machination of one of his political opponents.

Police increased their roundups and detentions in the poor urban barrios, authorized by the Law of Vagrants and Delinquents. The 1986 Amnesty International report estimated that Venezuelan security forces had detained nearly 1 million people in Caracas in 1986, a high number for a city of 3-4 million. Many were kept in detention for several days at least; some were beaten and those who were jobless or lacked adequate identification were often shipped without trial to El Dorado.<sup>19</sup> There were a few "disappearances." In March, 1986, a number of unidentified bodies were discovered in abandoned petroleum wells near Maracaibo. As the press publicized the case, numerous Maracaibo families came forward to seek missing family members who had last been seen in police custody. In April, congressional investigation confirmed that across the nation at least 46 people had disappeared from police custody, 28 of them in Zulia state (Maracaibo) alone. Both the Zulia police and the

<sup>17</sup>Inocencia Orellana and Diana Vegas, "La Mujer y la democracia," *SIC*, vol. 51, no. 503 (March, 1988), pp. 104-106.

<sup>18</sup>*Christian Science Monitor*, March 26, 1987.

<sup>19</sup>James Michael Sweeney, "Los Derechos humanos y Venezuela," *SIC*, vol. 50, no. 499 (November, 1987), pp. 406-407.

government proved reluctant to investigate the disappearances. Journalists and editors were warned to downplay the matter.<sup>20</sup>

Another scandal erupted in late October, 1988. Venezuelan special forces killed 14 people on a river-bank in El Amparo near the Colombian border. The victims were alleged to be Colombian subversives and drug dealers, but seem to have been unarmed local fishermen. Two escaped and recounted their experience, in spite of government efforts to keep the story quiet.<sup>21</sup>

The Catholic Church has played a leading role in criticizing government repression and censorship, in a move unusual for "Latin America's least Catholic country."<sup>22</sup> The headline of a paid advertisement in two Caracas newspapers on May 16, 1987, proclaimed, "We can't be quiet any longer." Forty-six priests and nuns bought the advertisement to denounce police roundups in the eastern Caracas barrio of Petare as deliberate intimidation and harassment to discourage people from organizing. Interior Minister José Angel Ciliberto promptly denounced the religious as foreign agitators. José Ali Cardinal Lebrún Moratinos defended the priests as Venezuelans (by birth or naturalization) who had voiced legitimate concerns.<sup>23</sup>

Concern about human rights had inspired the founding of the Support Network for Peace and Justice in 1985. Modeled on Amnesty International, the network investigated and publicized human-rights abuses in Venezuela. It encouraged its members to write or call the appropriate authorities.<sup>24</sup>

On January 23, 1988, the celebration of the thirtieth anniversary of the exile of dictator Marcos Pérez Jiménez, the Venezuelan Episcopal Conference denounced political parties for trying "to manipulate all expressions of social life." The document further commented on the deterioration of the quality of life and the increasingly skewed distribution of wealth.<sup>25</sup> The conference urged the immediate passage of the reform package proposed by the presidential commission.

Clearly, economic problems have placed strains on Venezuela's quality of life and on its democratic system. The changes loom large to Venezuelans, who recall the happier and relatively trouble-free recent past. Still, Venezuela remains in an enviable

position in Latin America with respect to long-range economic potential and political maturity. In the short run, however, President Carlos Andrés Pérez will need all his fabled energy and charisma to reactivate Venezuela's democracy and its economy. ■

## BRAZIL

(Continued from page 120)

later, Brazil and its creditors announced a comprehensive package to reschedule \$62 billion in bank credits and to provide \$5.2 billion of fresh loans. The agreement was submitted to the hundreds of banks around the world who hold Brazilian debt. In rapid negotiations, the banks agreed to participate in the new package. The February, 1987, moratorium was formally ended in September, one day before the formal signing of the new package. By early November, 1988, Brazil had brought the interest payments on the debt up to date for the first time since early 1987.

Mailson da Nobrega had restored Brazil's international credit worthiness without great political controversy. Arguing that Brazil had more to gain through negotiation and compromise, he won the support of the President and the Congress, as well as public opinion, and negotiated deftly with the international financial community. His efforts have not been met with similar success in internal affairs.

## THE INTERNAL ECONOMIC CRISIS

Finance Minister Nobrega entered office in early 1988 with the same hopes of his predecessors—to curb inflation, cut the budget deficit, stop unnecessary public works spending and hold the line on public sector wage increases. He failed to accomplish any of these goals by the end of 1988. The cause is primarily political. There is no one willing or able to make the tough decisions required to confront the economic interests who wield tremendous clout in Brazil's byzantine political system.

In March, the finance minister proposed a three-month freeze on the wages of federal civil servants and the armed forces in order to reform the pay system and reduce inflationary pressures. The measures would have meant substantial cuts in real purchasing power for public servants. They were rejected by the President and the Cabinet as too costly in political terms. In April, the government reluctantly agreed to a two-month freeze on federal wage adjustments and an offer of early retirement incentives to reduce the deficit gradually. At the same time, the government formally abandoned its traditional industrial development policy of import substitution and switched to a strategy of "competitive integration" with the world economy.

The new strategy, which has not been imple-

<sup>20</sup> *Washington Report on the Hemisphere*, July 23, 1986, p. 1.

<sup>21</sup> *The Economist*, November 12-18, 1988, p. 48.

<sup>22</sup> Merrill Collett, "Oil Crisis Drives Venezuelans to Examine National Identity," *Latinamerica Press*, November 6, 1986.

<sup>23</sup> "Justicia y paz en Petare," *SIC*, vol. 51, no. 506 (May, 1988), p. 165; *The New York Times*, June 24, 1987.

<sup>24</sup> Elena Alvarez, "Buscando un espacio para la vida," *Sic*, vol. 51, no. 509 (November, 1988), pp. 403-405.

<sup>25</sup> "A los treinta años del 23 de enero de 1958," *Sic*, vol. 51, no. 502 (February, 1988), pp. 86-91.

mented, was to be a fundamental switch away from the 40-year-old strategy of maximizing domestic production for the internal market and was intended to offer foreign companies significantly greater scope for activity within the Brazilian economy. The government's decision to liberalize the economy immediately ran into the political realities of the work of the Constituent Assembly, which, at that time, was beginning to pass constitutional provisions that would close the economy to outside investors. The Assembly carried the day. While there are several elements in the new industrial policy that might be implemented in spite of the constitution, only modest efforts have been made to do so, given the crisis over inflation.

By July, 1988, it was clear that the wage freeze had done little to halt inflation. Inflation rose by 24 percent in that month, the second highest monthly rate in the nation's history, from 19.5 percent in June. The Planning Ministry let it be known that the rate could reach 900 percent by the end of the year without decisive government action. Economists began openly to discuss the possibility of hyperinflation in the following months. Rumors floated about a new "shock plan." But it was generally believed that the government lacked the credibility to apply a shock plan successfully after the failure of the 1986 Cruzado Plan. By October, the inflation rate had reached 27.2 percent, the highest monthly rate ever recorded in Brazil. The annual inflation rate for 1988 was openly predicted to be higher than 900 percent.

Throughout the last quarter of 1988, there was no agreement among the finance minister, the President and the Congress on appropriate measures to reduce inflationary pressures. Finally, in early November, a 60-day "social pact" was negotiated between business leaders, government officials and trade union representatives, which limited wages and prices. The compact called for a 26.5 percent monthly limit on price increases for 94 basic items and state sector services during November. Salaries were scheduled to rise 21.33 percent in that month and, in December, a 25 percent ceiling was set on prices and a 26 percent ceiling was set on wages. The social pact was met by widespread skepticism; inflation in November was higher than the agreed-to amount, and everyone expected the December figure to be as high.

By the end of 1988, most economists believed that salaries were not the problem. The real issue was the inability of the government to finance its internal deficit with long-term credits. The lack of confidence in the Sarney administration has meant that the government must roll over \$60 billion on local overnight money markets every day to finance the deficit. The Brazilian government, on the verge

of bankruptcy, is forced to play a daily game of roulette in the highly volatile financial markets.

Despite the social pact, more than 800,000 public servants were on strike by November, demanding higher wages. In the week prior to the municipal elections, the Brazilian Army killed three striking workers at the state-owned steel plant of Volta Redonda. The 25,000 steel workers had gone on strike in late October to demand higher wages. Tension rose dramatically after the killings and probably influenced voters in their decision to vote for the PT and the PDT on November 15.

By the end of 1988, Brazil appeared on the edge of an economic abyss. Everyone—except the Sarney administration—appeared to understand that the government deficit was bringing down the government. But no one had any immediate antidote to the political paralysis. January is generally a month of accelerating inflation in Brazil, and many observers fear that the Brazilian public will lose faith in the cruzado as well as in other financial instruments with which the government finances its debt. They may then rush to buy gold, dollars and other real assets, and send money abroad in a sharp increase of capital flight. The result would be hyperinflation and a collapse of the economy.

Can Brazilians muddle through 1989? That is the key question, for which no one has a ready answer. There are positive signs. The trade surplus will reach \$19 billion. Unemployment is low and foreign investment has been attracted to the debt-equity swaps supported by the government. The interior of Brazil remains relatively prosperous—and increasingly separated from the central administration. There is a social crisis in Brazil's large cities, where living standards dropped dramatically in 1988, and in Brasília, where political paralysis appears to preclude any action before the 1989 presidential elections.

## CONCLUSION

Most Brazilians were glad to see 1988 come to an end. There were some positive developments, of course. An important step in consolidating democracy was achieved with the ratification of the controversial new constitution. Whether one agrees with all its contents, it represents an important step in moving Brazil away from its military legacy of the 1960's and 1970's. Brazil's export economy continues to prosper, indicating that the underlying health of the economy is good. But the public management of the country's finances has failed. Brazil's fainthearted politicians have refused to confront the hard reality and the legacy of decades of economic and financial management. The public deficit, a poorly administered state sector, corruption, and ill-conceived public works projects have severely

weakened Brazil's economic health. In turn, that mismanagement has caused increased social distress and falling living standards for a majority of the country's marginal population.

1989 is a critical year for the country. If Brazil's traditional "luck" holds, it may be able to make the social pact, or some version of it, hold together—barely. The hope offered by national elections at the end of 1989 may sustain Brazil's people and allow them to wait patiently for the results and a new chief executive. That is a moderately optimistic scenario. More pessimistic alternatives will pose a serious challenge to Brazilian economic and financial stability and to its political future in a democratic context. ■

## UNITED STATES RELATIONS WITH SOUTH AMERICA

(Continued from page 116)

a candidate) to deal with this threat. His believes that the fear and rampant corruption sown by the drug traffic have made it easier for the dreaded Sendero Luminoso (Shining Path) guerrillas to thrive. More effective local governments and better paid police would go a long way toward dispelling the belief that the Senderistas are invincible.

### THE CHALLENGE OF NEW PLAYERS

If the challenges of economic nationalism, drugs and weak democracies prove daunting to the Bush administration, the emerging presence of other players in the Southern Hemisphere may create an added problem and offer a potentially constructive factor. The United States is no longer (if ever it was) alone on the South American stage. A more assertive European Community and a richer and more imaginative Japan as well as other actors are already presenting a more complex picture.

Even before George Bush took office, Japan had stepped up its efforts to become a more involved player in the third world in general and South America in particular. It pledged new loans and prepared to follow its own plan for refinancing and helping South American debtors.

Aware of the United States sense of its sphere of influence, Japan had a carefully constructed plan to adapt formally to the gradualism of the Baker Plan. That plan featured a "menu of options" enabling banks and debtors voluntarily to negotiate new loans or reductions in debt. The plan opposed government assumption of bank risks, or bailouts, and

<sup>6</sup>Walter Mossberg, "Japan Pledges New Lending, Readies Plan," *Wall Street Journal*, September 27, 1988; Steven Greenhouse, "U.S. Balks at Plan by Monetary Fund for More Revenue," *The New York Times*, September 28, 1988.

<sup>7</sup>Georges A. Fauriol, *The Third Century: U.S. Latin American Policy Choices for the 1990's* (Washington, D.C.: The Center for Strategic and International Studies, 1988), p. 11.

stressed new lending over debt relief.

The Japanese labeled their own plan another "menu option." In reality, it may compete with and undermine the Baker Plan because it gives much greater power to the IMF; at the same time, it promotes the impression that the Japanese initiative would eventually bring about a bailout under certain circumstances. On a more positive level, the Japanese plan has been welcomed by the Bush administration, which has more than its share of domestic economic problems to deal with and few dollars that it can afford to send to South America; therefore, it might favor the presence of a "third party" that would assume some of the responsibility—and some of the blame.<sup>6</sup>

Japan's new economic initiative is one of the many harbingers of changed United States-South American relations, a change that has been labeled "the globalization of South American affairs." West Europe, East Europe, the Soviet Union and a number of Arab countries have all established a new or renewed presence in South America in the last two decades. As explained by a group of astute observers,

The United States has been called upon to respond to Latin America's economic and political problems and has done so, with mixed results. In the 1990's, however, the United States can no longer be viewed as the sole repository of Latin American economic and development solutions. This is not the result of Washington's declining interest in the region; rather, it is because the region's challenges can no longer be met by available U.S. resources.<sup>7</sup>

The Soviet Union has become a significant actor in South America in the last two decades, and the Soviet Union has increased its trade, diplomatic and military ties and presence in a number of countries in the area. But now that the Soviet economy is in trouble, the ideology of Marxism-Leninism no longer looks attractive to many South Americans, and the Soviet Union seems to be on the verge of scaling back its commitments in several third world areas. Many South Americans, believing that the cold war has ended, think that the United States will devote less attention to military/strategic considerations and more to economic aid. But more practical observers believe that if the cold war winds down, the United States will devote even less attention to South America, economic and otherwise, than it does at present. If the cold war is less threatening, there may well be a new era of neglect of the Hemisphere, not a sudden explosion of United States largess.

Another form of restructuring is exemplified in the growing regionalization of South America and a renewed interest in integration. In a move that

would have been unthinkable a few years ago, landlocked Bolivia is finally going to have access to both the Pacific and the Atlantic oceans as a result of a tripartite agreement with Argentina and Peru that establishes the Libertadores Interoceanic Corridor, which will permit new railway communications linking all three countries.<sup>8</sup> Argentina and Brazil, for so long distrustful of each other, have signed a series of agreements and understandings that will go a long way toward making them more competitive as well as more complementary. There are efforts to revive some of a common market.

These challenges should be welcomed by a Bush administration; they do not automatically work to the detriment of American interests and may well work to the advantage of the United States, in an era when Washington has limited resources at its disposal. But while these are encouraging straws in the wind, the basic challenge remains the continuing economic crisis and the unraveling of democratic processes in South America.

As disillusionment with democracy lessens the chances for greater institutionalization of more open forms of government, the door is open for a new generation of more populist and less prudent politicians in South America. This is taking place when the United States is in the hands of an untested President and a more assertive Congress. George Bush lacks strength and charisma, qualities that helped Ronald Reagan—for all the shortcomings of his policies—to achieve a modicum of success in inter-American relations.

A bitter presidential campaign presaged an even less cooperative Congress than the Congress that Ronald Reagan faced, and President Bush may not even enjoy the traditional honeymoon. Will George Bush be able to pursue a rational and enlightened strategy in case one or more of the fragile South American democracies slides back into military rule or lurches into the arms of a Marxist populist, or will the United States domestic political situation push him into a hasty and ill-advised posture?

This is a question easy to pose but hard, if not impossible, to answer. An answer might be more easily formulated if the American people had a greater understanding of the stakes involved if democracy in the Southern Hemisphere were to crumble. Among the many severe problems hindering a sensible United States policy in the area is the sheer ignorance and misunderstanding about South America that prevail. Benign (and not so benign) neglect could again become the basis for United States policy. Even after years of being bombarded with information on the area, North Americans still have little notion of the location of Central America and

the Caribbean, and even less understanding of why countries in that area are important to their own country. Do we dare to hope that they will learn more about the economic, political, and strategic importance of South America, often depicted, unfortunately, in terms of samba, drugs and the mythical land of the Amazon? ■

---

## CHILE

*(Continued from page 132)*

agents came to sabotaging the plebiscite, but the extraordinary fact remains that the most powerful leader in Chilean history permitted a technically fair referendum on his rule and peacefully conceded defeat. Why did a dictator let himself be voted out of power? To a large extent, Pinochet had been trapped by his own mythology. He was convinced that he would be able to win and was anxious to prove that his regime was not a pariah but a legitimate government. He and other officials came to believe their own propaganda about the dynamic new Chile they had created. The hermetic nature of the regime, with its emphasis on lines of authority serving the whims of one man, made it impossible for them to accept the possibility that they could lose. Their contempt for politics made them ignore political leaders in their own camp who had a better sense of how to rally support.

Organizing a persuasive campaign and building a foolproof system to scrutinize the results, the opposition also made it hard for regime supporters to discount the electoral process. The mature behavior of Chile's voters, who stayed home on election night, ensured the failure of scenarios based on violent confrontation. The most important element, however, was the legalistic tradition that bound 7.4 million voters to follow an imperfect and dictatorially mandated process—and thus compelled the dictator to bow to the consequences. Neither the civilian rightists nor the armed forces, once convinced that they had lost, were willing to abrogate their constitutional contract. This fact alone may contain the greatest hope for a permanent, stable return to democratic rule in Chile.

Although the plebiscite was not affected significantly by external forces, the United States played a positive role that contrasted sharply with previous United States intervention to destabilize Allende's rule. The United States initially welcomed Pinochet as an unsavory but important anti-Communist ally. But by 1985, the United States shifted to tacit support for the democratic opposition, based on the realization that repression was aggravating the threat of leftist violence. Under Ambassador Harry G. Barnes Jr., the United States embassy opened its doors to the opposition and, at a critical moment, government opponents trusted Barnes with infor-

<sup>8</sup>"Bolivia Gains Access to the Pacific and the Atlantic," *Vision Newsletter*, November 15, 1988.

mation that led to the timely State Department warning against official interference with the vote. Support from the United States and other countries also provided the opposition with small but critical resources.

Now that the first step of the transition has passed, new problems face Chile's political actors as they prepare to move to the next electoral round. For the regime and its backers, the principal problem is how to regroup and build a new image and structure that can promote winning conservative candidates. In their initial shock, some Pinochet supporters attempted to minimize the defeat; Minister Fernández lamely insisted that by receiving 43 percent of the vote, Pinochet had earned a broad popular mandate. A few loyalists even asked Pinochet to run again, despite a clear constitutional provision preventing such action. But the major rightist groups acted pragmatically, moving to distance themselves from Pinochet and making plans to field new candidates.

The opposition, despite its October 5 triumph, faces an even rockier transition period and a daunting double challenge. First, in order to win the presidency and a congressional majority and to press the regime for democratic reforms in the constitution, it must maintain the unity that propelled the "No" to victory, despite historic political disagreements and personal rivalries that linger beneath the surface. Only two months after the plebiscite, many of these divisions began to surface again, threatening to undermine the entire "No" coalition.

The Communist party, upstaged by the success of the plebiscite it disdained, is determined to regain its political clout. In November, 1988, several leftist groups that had participated in the "No" command joined with the Communist party to form a coalition known by the acronym PAIS. This move, a direct challenge to Lagos and the PPD, risks dividing the opposition by recreating the left, center and right divisions in Chilean society that polarized the country in the late 1960's. The reappearance of the Manuel Rodríguez Patriotic Front, which announced that it was resuming the armed struggle, further complicated the relationship between the moderate opposition and the Marxist left.

Opposition unity is also contingent on finding a common program, a presidential candidate and a formula to present joint slates for Congress. But this process has been complicated by internal struggles within the Christian Democratic party, from whose ranks a presidential candidate would have to be chosen by tacit agreement of all parties. With internal party elections taking place in November and December, 1989, competition has erupted among longtime political rivals, party factions and generational cohorts whose ambitions have been thwarted

by 15 years of military rule. Until the Christian Democrats settle on a candidate, the task of building an opposition program and a transition strategy cannot effectively begin.

The second challenge for the opposition is to persuade the military to negotiate changes in the constitution before elections. Before the plebiscite, the "No" coalition agreed on a number of changes essential to democracy: direct election of all legislators, an end to the ban on Marxist parties, expanded civilian membership in the national security council and an easing of the onerous requirements for amending the constitution after 1990. So far, the regime's response has been mixed. Pinochet has insisted on changing "not a comma," other officials are apparently willing to discuss "improvements" to the constitution, and some conservative civilian leaders support key changes. It is hard to imagine the armed forces allowing significant alterations to the document they consider their crowning gift to the nation. Ironically, regime intransigence may provide the opposition with its strongest incentive to remain united.

One of the key unanswered questions about Chile's future is the degree to which Pinochet and the armed forces want to remain involved in politics. In early November, Pinochet appeared to be punishing officers identified with the losing campaign when he announced the retirement of 13 generals, but his speeches were nonetheless reflecting the so-called "Pinochet Doctrine" of maintaining an influential, permanent role for the armed forces in politics. Pinochet also moved to insulate his economic policies from political interference, shifting state enterprises like the railroads to private hands. Human-rights groups have also reported official reprisal against individuals who backed the "No"; the judge who denounced torture in a "No" television spot was censured. On the other hand, officials made gestures to the new reality, releasing from prison Clodomiro Almeyda, Chile's most prominent socialist leader; and the regime continues to transfer power to civilian control.

Not until the elections, however, will the permanent shape of Chile's political future become clear. If the opposition is unable to force a liberalization of the constitution before then, it will have to live with an authoritarian set of laws, a powerful executive and an electoral map that favors more rural, conservative areas. If the opposition cannot agree on a strong candidate, a conservative could win a runoff vote, leaving Chile in authoritarian hands wearing kid gloves. But if the leaders who found new unity in defeating Pinochet can maintain that spirit, Chile stands an excellent chance of recovering the dignity, pride and civic consensus that once made it a model for the rest of Latin America. ■

---



---

## ECUADOR

(Continued from page 141)

strained by the economic crisis. In view of the reformist aspirations of the government of President Borja, Ecuadorans are likely to expect material gains and expanded political participation from their first social democratic government. Borja's emphasis on pluralism and tolerance represents an important shift toward democratization, but it is apparent that redistributive politics will have to be put on hold. Whether the Borja government can promote democratic values and effectively implement economic austerity measures is Ecuador's puzzle for the coming year. ■

---



---

## BOOK REVIEWS

(Continued from page 143)

### CHILE: PROSPECTS FOR DEMOCRACY.

By Mark Falcoff, Arturo Valenzuela and Susan Kaufman Purcell. (New York: Council on Foreign Relations, 1988. 80 pages and chronology of events, \$8.95, paper.)

This collection of essays on Chilean politics, *Chile: Prospects for Democracy*, was written and released before the Yes-No plebiscite of October, 1988, and was intended as a primer on the plebiscite and on Chilean politics. However, many of the observations and comments made by the authors are relevant to the future of democracy in Chile.

Mark Falcoff's piece, "Chile: A Cognitive Map," is a useful review of the three main factions in Chilean politics: the right (i.e., the military), the left (the Socialists and the Communists) and the center (the Christian Democrats). "Chile: The Limits of U.S. Leverage," Susan Kaufman Purcell's contribution, surveys the influence of United States Presidents Jimmy Carter and Ronald Reagan. The final essay, Arturo Valenzuela's "The 1988-89 Plebiscite in Chile: Political Scenarios for the Future," offers observations on what may occur in the aftermath of General Augusto Pinochet's defeat in the plebiscite.

R. Scott Bomboy

### THE POLITICS OF COALITION RULE IN

COLOMBIA. By Jonathan Hartlyn. (New York: Cambridge University Press, 1988. 332 pages, list of abbreviations, tables, notes, bibliography and index, \$42.50, cloth.)

Jonathan Hartlyn's *The Politics of Coalition Rule in Colombia* helps to understand the National Front, the power-sharing system of government that Colombia enjoyed from 1958 to 1986 and how this system promoted economic growth and domestic violence simultaneously in Colombia.

The National Front was born in 1958 as a response to the escalating violence between the Liberals and the Conservatives, Colombia's two largest political parties. Hartlyn labels this formula "consociational democracy," and he devotes much of the book to the consequences of "consociationalism." Coalition government was an indigenous result of Colombia's political heritage, and Hartlyn explains how this philosophy led to the economic progress of the early years of the National Front and the breakdown of the system in 1986.

R.S.B.

**DANCING ON A VOLCANO: THE LATIN AMERICAN DRUG TRADE.** By Scott B. MacDonald. (New York: Praeger, 1987. 312 pages, bibliography and index, \$34.95, cloth; \$12.95, paper.)

The political, economic and social dimensions of the drug trade in North America, Central America and South America are the focus of Scott B. MacDonald's *Dancing on a Volcano: The Latin American Drug Trade*. The inter-American drug trade, says MacDonald, is a lucrative international business valued at between \$80 billion and \$150 billion. MacDonald, an economist with a strong interest in Caribbean and Latin American affairs, offers a well-rounded picture of the drug trade that reviews the historical background of the problems and proposes potential solutions. He discusses in detail the situation in nations like Colombia, Bolivia, Peru, Mexico, Belize, Jamaica and Cuba.

R.S.B.

## ALSO RECEIVED

**A REVOLUTION IN ARREARS: THE DEVELOPMENT CRISIS IN LATIN AMERICA.** By Leland M. Wooton. (New York: Praeger, 1988. 207 pages, notes, bibliography and index, \$39.95.)

**ANTARCTICA AND SOUTH AMERICAN GEOPOLITICS: FROZEN LEBENSRAUM.** By Jack Child. (New York: Praeger, 1988. 229 pages, notes, bibliography and index, \$39.95.)

**CRISIS IN ALLENDE'S CHILE: NEW PERSPECTIVES.** By Edy Kaufman. (New York: Praeger, 1988. 416 pages, bibliography and index, \$45.95, cloth.)

**THE INTER-AMERICAN DILEMMA: THE SEARCH FOR INTER-AMERICAN COOPERATION AT THE CENTENNIAL OF THE INTER-AMERICAN SYSTEM.** By L. Ronald Scheman. (New York: Praeger, 1988. 232 pages, bibliography and index, \$39.95, cloth.) ■

---

---

# THE MONTH IN REVIEW

---

---

*A Current History chronology covering the most important events of January, 1989, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### Central American Peace Plan

Jan. 9—Costa Rican President Oscar Arias Sánchez postpones the Latin American summit meeting scheduled for January 15 and 16 in San José, Costa Rica.

### Conference on Security and Cooperation in Europe

Jan. 16—Thirty-five nations end their meeting in Vienna with an agreement containing new commitments to protect human rights, "to increase the freer and wider dissemination of information of all kinds," and the right of any individual "to leave any country, including his own and to return to his country"; the conference also calls for more religious freedom and condemns terrorism.

### European Community (EC)

(See *Intl, PLO*)

### Iran-Iraq War

(See *Intl, UN; U.S., Foreign Policy*)

### North Atlantic Treaty Organization (NATO)

(See *Intl, Warsaw Pact*)

### Organization of Petroleum Exporting Countries (OPEC)

Jan. 26—After a 2-day meeting in Paris, the OPEC oil ministers and independent oil producers agree to cooperate in an effort to increase oil prices.

### Palestine Liberation Organization (PLO)

(See also *Israel*)

Jan. 4—PLO chairman Yasir Arafat meets in Cairo with Egyptian President Hosni Mubarak; Arafat presses Israel to begin peace talks.

Jan. 15—Israeli chief of staff Lieutenant General Dan Shomron tells the Israeli Foreign Affairs and Defense Committee that according to Israeli intelligence the Fatah branch of the PLO led by Yasir Arafat has not planned or executed any guerrilla acts in the last 2 months.

Jan. 27—PLO chairman Yasir Arafat meets with a committee from the EC; Arafat asks for EC support in calling for a Middle East peace conference.

### Paris Conference on Chemical Weapons

Jan. 11—The delegates to the Paris conference end 5 days of debate by reaffirming the 1925 convention banning chemical-weapons use and by calling for a new treaty banning the development, production and possession of such weapons.

### United Nations (UN)

(See also *Israel*)

Jan. 4—Libyan leader Colonel Muammar Qaddafi calls for an emergency meeting of the UN Security Council to condemn U.S. aggression.

Jan. 6—U.S. chief delegate to the UN Vernon Walters presents photographic evidence to the Security Council showing that the Libyan MiG-23 planes downed by the U.S. were armed with missiles; Libya calls the photos "fabricated."

Jan. 11—The U.S. vetoes the UN Security Council resolution deploring the U.S. downing of 2 Libyan jets.

Jan. 16—A special UN envoy to Iran and Iraq will attempt to reopen the stalled peace negotiations and will visit the region next week.

Jan. 27—It is reported that the UN told Somalia on December 22 that UN aid to Ethiopian refugees in Somalia would be halted because the Somali government had used UN aid for military purposes.

### Warsaw Treaty Organization (Warsaw Pact)

Jan. 30—The Warsaw Pact publishes a detailed analysis of its military strength in Europe for the 1st time. The figures differ sharply from those of NATO; Warsaw Pact officials label the NATO estimates "tendentious data based on a selective approach."

## AFGHANISTAN

(See also *U.S., Foreign Policy*)

Jan. 4—Soviet Deputy Foreign Minister Yuli Vorontsov talks with Pakistani Foreign Minister Sahabzada Yaqub Khan about resuming the Soviet withdrawal from Afghanistan.

Jan. 9—The Afghan resistance breaks off negotiations with the Soviet Union.

Jan. 10—Soviet Deputy Foreign Minister Vorontsov warns that there is a "serious danger" the Soviet Union will not meet its February 15 deadline for the withdrawal of its soldiers from Afghanistan.

Jan. 15—Soviet Foreign Minister Eduard Shevardnadze concludes a 2-day visit to Afghanistan. Shevardnadze says that the Soviet Union will continue to supply arms to the Afghan government if fighting continues after February 15.

In a television interview, the commander of the Soviet forces in Afghanistan says that the withdrawal of Soviet troops from Afghanistan will be completed by February 15.

Jan. 24—Western sources reveal that the Soviet Union has withdrawn half its contingent of 30,000 troops from Kabul. In addition, all foreign diplomats have been asked to leave the country.

Jan. 26—The U.S. closes its embassy in Kabul as the military situation worsens for the Soviet-supported government of President Najibullah.

Soviet and Afghan forces level several villages in an attempt to keep open the Salang Tunnel, the main road from Kabul to the Soviet Union. Western diplomats say that hundreds of civilians were killed in the assault.

Jan. 28—Soviet Defense Minister Dmitri Yazov ends 2 days of talks with President Najibullah; they have agreed that the Soviet withdrawal from Afghanistan will be completed by February 15.

Jan. 29—The U.S. Assistant Secretary of State for Near Eastern and South Asian Affairs, Richard Murphy, says that the U.S. will be unable to prevent Afghan rebel groups from escalating attacks on the Soviet-backed Afghan government once the Soviet troop withdrawal from Afghanistan is completed on February 15.

## ANGOLA

Jan. 5—Angolan President José Eduardo dos Santos says that the African National Congress (ANC) plans to close its training facilities in Angola.

Jan. 10—Cuban soldiers begin to withdraw from Angola.

**ARGENTINA**

- Jan. 23—A group of 50 heavily armed civilians capture the La Tablada army base near Buenos Aires; at least 6 people are killed in a battle between the group and army soldiers.
- Jan. 24—Government forces recapture the base at La Tablada; at least 36 people, including 28 rebels, are killed in the counterattack. President Raúl Alfonsín claims that the guerrillas were "ultraleftists."

**BELGIUM**

- Jan. 12—Jozef Gedopt, a 44-year-old Belgian national, is arrested in Antwerp and charged with altering documents in order to send chemicals to Libya.
- Jan. 14—Former Prime Minister Paul Vanden Boeynants is abducted from his home in Brussels.

**CAMBODIA**(See also *France; Vietnam*)

- Jan. 25—Prime Minister Hun Sen ends a 2-day visit to Thailand.
- Jan. 26—Prince Norodom Sihanouk, a leader of the opposition to Cambodia's Vietnamese-supported government, says he will not participate in peace talks next month in Jakarta because Prime Minister Hun Sen has made public comments critical of Sihanouk's peace plan.

**CHILE**

- Jan. 25—A former Chilean ambassador to the U.S. says that General Juan Manuel Contreras, the head of the Chilean secret police in 1976, ordered the assassination of Chilean diplomat Orlando Letelier. The U.S. has sought the extradition of Contreras for the murder, which occurred in Washington, D.C., in 1976.

**CHINA**(See also *Vietnam*)

- Jan. 2—An African diplomat claims that African students were beaten and tortured by police on December 31 during a disturbance in Nanjing.
- Jan. 3—Students protest in Beijing against alleged assaults on women by African students.
- Jan. 5—Authorities in Nanjing release 45 African students held in custody since December 26. Three Africans remain in detention in connection with the December 24 riot.

**COLOMBIA**

- Jan. 6—The government opens peace talks with 2 leftist guerrilla groups, the Colombian Revolutionary Armed Forces and M-19.

**COSTA RICA**(See *Intl, Central American Peace Plan*)**CUBA**(See *Angola; U.S., Foreign Policy*)**CZECHOSLOVAKIA**

- Jan. 19—In the 5th consecutive day of rioting in Prague, police beat protesters after a speech by Charter 77 leader Milan Machovec on the principles of nonviolent demonstration.

**EGYPT**(See *Intl, PLO*)**EL SALVADOR**

- Jan. 24—The government rejects an offer from the Farabundo Martí National Liberation Front that would allow the left

ist guerrilla group to participate in national elections.

**ETHIOPIA**(See *Intl, UN*)**FRANCE**(See also *Spain*)

- Jan. 21—France offers to host an international peace conference on Cambodia in 1989.

**GERMANY, EAST**

- Jan. 23—East Germany says that it will cut its armed forces by 10,000 men and reduce its military budget by 10 percent.

**GERMANY, WEST**(See also *U.S., Administration, Foreign Policy*)

- Jan. 4—The West German government claims that it has found no evidence to support U.S. assertions that a West German company, Imhausen-Chemie, is helping Libya build a plant to produce chemical weapons.
- Jan. 10—The Cabinet agrees to tighter restrictions on the export of nuclear and chemical technology and materials.
- Jan. 13—The government admits that Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher were informed of the possible involvement of Imhausen-Chemie in the Libyan chemical weapons plant at Rabata before Kohl's meeting with U.S. President Ronald Reagan in November, 1988. Previously, West Germany denied knowing the allegations until President Reagan disclosed them at the November meeting.
- Jan. 18—During debate in Parliament, Chancellor Kohl is chastised by opposition leaders for damaging West German-U.S. relations. Kohl has been under heavy criticism for not admitting his knowledge of a West German company's involvement with the Libyan chemical production facility.
- Jan. 25—Customs officials search the offices of 3 companies, including Imhausen-Chemie, looking for documents linking the German companies to the Rabata chemical plant in Libya.
- Jan. 30—A crowd of 10,000 protests in West Berlin against the right-wing extremist Republican party. The Republican party, whose chairman is a former Nazi S.S. officer, won 11 seats in the West Berlin parliament and 2 seats in the national Parliament in elections on January 29.
- The West German government announces that Soviet President Mikhail Gorbachev will visit West Germany in June, 1989.

**HONDURAS**

- Jan. 25—Gustavo Alvarez Martínez, a former Honduran army general who helped establish the Nicaraguan contra resistance, is assassinated in Tegucigalpa.

**HUNGARY**

- Jan. 11—Hungary's Parliament votes to allow public demonstrations and independent political parties.

**INDIA**(See also *Vietnam*)

- Jan. 6—In New Delhi, 2 Sikhs are executed for the assassination of Prime Minister Indira Gandhi in 1984.
- Jan. 7—In Punjab, 14 Hindus are killed by Sikh militants in revenge for the January 6 execution of the assassins who killed Indira Gandhi.
- Jan. 23—Results of the January 21 elections in the state of Tamil Nadu reveal that Prime Minister Rajiv Gandhi's Congress party has been beaten; the party finished in 3d place.

## IRAN

(See *Intl, UN; Lebanon*)

## IRAQ

(See *Intl, UN*)

## ISRAEL

(See also *Intl, PLO*)

Jan. 1—For the second time in a week, the Israeli government devalues the shekel; it has been devalued 11.7 percent in this period.

Jan. 5—The Cabinet approves Finance Minister Shimon Peres's proposal to reduce the government budget by \$550 million.

Jan. 10—The Israeli Army says that its soldiers killed 8 Lebanese guerrillas during a raid into southern Lebanon on January 7.

In an interview in the *Jerusalem Post*, Prime Minister Yitzhak Shamir indicates some flexibility in his stand toward an international conference on the Middle East. Shamir notes that Israel is prepared to enter into direct negotiations about peace under the aegis of the UN or the superpowers, provided that they [the superpowers] refrain from involvement in the substance of the talks.

Jan. 11—Israeli planes attack the positions of Abu Nidal's Fatah Revolutionary Council in southern Lebanon. No casualties are reported.

The *Wall Street Journal* reports that Prime Minister Yitzhak Shamir has said that he will accept UN participation in a Middle East peace plan, but infers that he would exclude the PLO from negotiations.

Jan. 17—The Defense Ministry announces tougher measures against Palestinians who throw stones at Israeli forces in the occupied territories.

Jan. 18—Defense Minister Yitzhak Rabin walks out of Parliament after his speech is interrupted by opposition members critical of the Israeli military involvement in the occupied territories.

Jan. 19—Uzi Baram resigns as Labor party general secretary. Baram's resignation may signify a growing rift in the Labor party over its participation in the national unity government with the Likud party.

Jan. 20—All schools in the occupied territories are closed indefinitely by the Israeli government.

Jan. 27—Science Minister Ezer Weizman tells the *Jerusalem Post* he believes that talks should begin between Israel and the PLO.

Jan. 31—In a newspaper interview, Prime Minister Shamir proposes a peace plan that gives Palestinians greater autonomy in the occupied territories; however, the plan does not provide for an independent Palestinian state.

During a general strike in the occupied territories, Israeli security forces fire on a crowd of Palestinians, wounding at least 27 people.

## JAPAN

Jan. 7—Emperor Hirohito dies at the Imperial Palace at the age of 87. The Imperial Household Agency confirms that Hirohito, who was ill for almost a year, died of cancer. Hirohito's son, the 55-year-old Crown Prince Akihito, becomes Emperor.

Jan. 19—The government announces its preliminary budget, including a 6.6 percent increase in foreign aid that makes Japan the world's largest donor of foreign aid.

Jan. 24—Economic Planning Agency director Ken Harada, the 2d most powerful figure in Prime Minister Noboru Takeshita's Cabinet, resigns from office. Harada tells the press he resigned because he received a cash gift in 1988

from Recruit Cosmos, the company at the center of an ongoing political scandal in Japan.

## JORDAN

(See *U.S., Administration*)

## KOREA, NORTH

Jan. 16—North Korea accepts a South Korean proposal for high-level political and military discussions. The Prime Ministers of both nations will meet in Panmunjon on February 8.

## KOREA, SOUTH

(See *Korea, North*)

## LEBANON

(See also *Israel*).

Jan. 2—Heavy fighting between the Syrian-backed Amal militia and the pro-Iranian Hezbollah spreads from Beirut to southern Lebanon.

Jan. 8—Amal and Hezbollah forces engage in a fierce battle near Sidon; at least 35 people are killed and 66 people are wounded in the fighting.

Jan. 9—The fighting between Amal and Hezbollah forces escalates in southern Lebanon; 80 people have been killed and 200 have been wounded since January 8.

Jan. 11—In southern Lebanon, the clashes between Amal and Hezbollah end. According to police, 92 people died in the fighting.

Jan. 30—Representatives of the Amal militia and the Hezbollah sign a peace accord in Damascus, Syria. The agreement calls for a cease-fire between the 2 factions and asks the Syrian army to maintain order in Beirut.

## LIBYA

(See also *Intl, UN; Belgium; Germany, West; U.S.S.R.; U.S., Foreign Policy*)

Jan. 7—In his 1st public appearance since the downing of 2 Libyan MiG-23 jets on January 5 by U.S. fighters, Libya's de facto leader, Colonel Muammar Qaddafi, says that military force "does not pay, especially with Libya."

## MEXICO

Jan. 10—Joaquín Hernández Galicia, the leader of Mexico's oil workers' union, is arrested on corruption and weapons-smuggling charges.

## MONGOLIA

(See *U.S.S.R.*)

## MOROCCO

Jan. 4—Polisario Front representatives meet with King Hassan II in Marrakesh.

## NICARAGUA

(See also *Honduras*)

Jan. 30—President Daniel Ortega Saavedra unveils the government's newest austerity plan. President Ortega calls for a 44 percent reduction in the budget for next year and for the layoff of 35,000 public employees.

## PAKISTAN

(See *Afghanistan*)

## PHILIPPINES

Jan. 7—A 3-day standoff in Zamboanga ends as government troops capture a military garrison held by Muslims. At least 17 people are killed in the confrontation.

**POLAND**

- Jan. 16—At a special meeting of the Communist party Central Committee, Poland's President, General Wojciech Jaruzelski, says the "agreement of all the nation's constructive groups" is necessary to facilitate change in Poland.
- Jan. 17—Speaking before the Central Committee, Prime Minister Mieczyslaw Rakowski says that the legal ban on the outlawed Solidarity trade union could be lifted if Solidarity were to meet several conditions to limit its activities.
- Jan. 18—After a bitter debate, the Central Committee approves a resolution allowing "trade union pluralism." Although the resolution will force direct talks between the government and Solidarity, some of its measures are considered too restrictive by Solidarity leaders.
- Jan. 19—The government publishes the details of its resolution on the legalization of trade unions. Among the requirements are a prohibition on public demonstrations by unions and the acceptance by trade unions of Poland's present laws.
- Jan. 20—Union leader Lech Walesa says that he is ready to negotiate with government leaders over Solidarity's legal status.
- Jan. 22—Solidarity accepts the Polish government's offer to talk about the restoration of legal status for Solidarity.

**SOMALIA**(See *Intl, UN*)**SOUTH AFRICA**

- Jan. 18—South African President P.W. Botha suffers a "mild stroke" in Cape Town.
- Jan. 19—Constitutional Development Minister J. Christiaan Heunis is appointed Acting President by President Botha.

**SPAIN**

- Jan. 12—José Antonio Urrutikoetxea, the leader of the military wing of the Basque separatist group E.T.A., is arrested by French police in Bayonne. Spain demands Urrutikoetxea's immediate extradition.

**SRI LANKA**

- Jan. 2—Ranasinghe Premadasa is sworn in as President, succeeding J.R. Jayewardene.
- Jan. 11—President Ranasinghe Premadasa ends Sri Lanka's state of emergency, originally declared in May, 1983.

**SUDAN**(See *U.S., Foreign Policy*)**SYRIA**(See *Lebanon*)**THAILAND**(See *Cambodia*)**TURKEY**

- Jan. 3—The human rights group Amnesty International says that Turkish authorities have tortured prisoners on a daily basis for the last 2 months.
- Jan. 4—Turkey confirms that it will open its Ottoman archives to historians. Turkish officials hope that material in the archives will disprove accusations by Armenians that the Ottoman Turks were responsible for the death of 1.5 million Armenians during World War I.

**U.S.S.R.**(See also *Afghanistan; Germany, West; U.S., Foreign Policy*)

- Jan. 4—In an article in *Literaturnaya Gazeta*, a Soviet historian

claims that Joseph Stalin ordered the Soviet secret police to assassinate Leon Trotsky in 1940.

- Jan. 6—The Soviet Union disputes the U.S. claim that Libya is constructing a chemical weapons plant.
- Jan. 8—Foreign Minister Eduard Shevardnadze announces that the Soviet Union will begin a reduction in its chemical weapons stockpile.
- Jan. 14—Voters in Moscow's Gargarin district reject the official candidate for the district seat in the new National Congress of Deputies and nominate former Moscow party leader Boris Yeltsin.
- Jan. 18—The Estonian legislature votes to give Estonian preference over Russian as the official language of the republic.

President Mikhail Gorbachev says the Soviet Union will reduce its military budget by 14.2 percent and cut its spending on weapons and military hardware 19.5 percent. The Soviet Union will also withdraw 200,000 troops from Asia, including three-fourths of its force in Mongolia.

- Jan. 19—According to Foreign Minister Shevardnadze, Soviet troops leaving East Europe will take their battlefield weapons with them, including 1,350 short-range missiles.
- Jan. 20—Physicist Andrei Sakharov is nominated for a seat in the Congress of Deputies by workers in Moscow, despite the objection of leaders of the scientific community.
- Jan. 23—An earthquake and accompanying mudslide kill at least 275 people in the republic of Tadzhikistan.
- Jan. 25—Economist Leonid Abalkin says that the real government deficit is \$165 billion, almost 3 times the figure given by the Soviet government.
- Jan. 29—The unmanned Soviet space probe *Phobos 2* orbits Mars; it is expected that the probe will land on the Martian satellite Phobos.
- Jan. 31—Foreign Minister Shevardnadze goes to China for 3 days of talks with Chinese leaders, including China's de facto leader Deng Xiaoping.

The Soviet Union denies Western press reports and U.S. charges that Soviet and Afghan government forces are employing a "scorched earth" policy during the Soviet withdrawal from Afghanistan.

**UNITED KINGDOM****Great Britain**

- Jan. 16—The government announces that the Court of Appeals will review the convictions of 4 alleged I.R.A. (Irish Republican Army) guerrillas serving life sentences for a series of bombings in 1974 that killed 7 people.

**UNITED STATES****Administration**

- Jan. 4—The Energy Department says it will cost between \$53 billion and \$92 billion to clean up the chemical and radioactive pollution at military and civilian installations under the department's control.
- Jan. 5—The Federal Aviation Administration (FAA) rules that all planes that carry 30 or more passengers must install collision-warning devices by the end of 1991.
- Jan. 6—President-elect George Bush names Lawrence Eagleburger as his Deputy Secretary of State.
- In Washington, D.C., a federal grand jury indicts Teledyne Industries, a military contractor, on charges of conspiracy, bribery and theft of government property.
- Jan. 9—President Ronald Reagan sends his proposed \$1.15-trillion budget for fiscal 1990 to Congress; he claims it meets the budget-balancing requirements, needs no new taxes, increases military spending and has a deficit of \$92.5 billion; George Bush will submit his modifications by February 20.

Jan. 11—From the White House, President Reagan broadcasts his farewell to the nation; he warns against "an eradication ... of the American spirit."

The FAA orders U.S. airlines to inspect within 72 hours engine-warning systems on 300 Boeing passenger jets.

Jan. 12—President-elect Bush names retired Admiral James Watkins as his Energy Secretary and former Education Secretary William Bennett to head the federal drug-enforcement program.

Jan. 18—The Federal Reserve Board allows banks to raise corporate funds in the bond market.

Jan. 19—Interior Secretary Donald Hodel acts to release lands in the Arctic National Wildlife Refuge in Alaska and land held by Alaskan native corporations for possible exploitation by the U.S. oil industry.

President Reagan agrees to allow U.S. companies to resume some operations in Libya; they have been prevented from such activity since a broad economic sanction was imposed in February, 1986.

Jan. 20—George Bush is inaugurated as the 41st President of the U.S. and Dan Quayle is sworn in as Vice President. President Bush promises strong measures to deal with the deficit and the drug problem and he adopts a conciliatory tone toward the Democratic-controlled Congress.

Former President Ronald Reagan and Nancy Reagan leave Washington, D.C., for their new home in California.

Jan. 23—In a phone conversation with an anti-abortion rally in Washington, D.C., President Bush states, "I think the Supreme Court's decision in *Roe v. Wade* [which in effect established a woman's right to have an abortion in early pregnancy] was wrong and should be overturned."

Jan. 25—In a White House interview, President Bush says that because of the "overriding problem of the deficit" his declared all-out war on drugs must be mainly educational.

Jan. 26—In confirmation hearings before the Senate, Defense Secretary nominee John Tower says the Bush administration believes that the "umbrella shield," a system advocated by the Strategic Defense Initiative (SDI) program to prevent nuclear attack, is unrealistic.

Jan. 27—In a news conference, President Bush assures depositors in savings and loan associations that "the savings and loan deposits are backed by the full faith and credit of the government."

At the end of his news conference, President Bush endorses a 50 percent pay increase for Congress, federal judges and high-level officials.

Jan. 30—The Department of Health and Human Services issues the 1st in a series of new regulations covering patient care in nursing homes. The rules are meant to insure that 1.6 million nursing home patients are able to have privacy, freedom from restraints and physical abuse, and other basic rights.

In U.S. District Court in Baltimore, Maryland, American and foreign businessmen are implicated in the illegal purchase of thiodiglycol, a chemical used in the production of poison gas. Some chemicals, officials believe, were eventually shipped to Iraq via Jordan; sales were also made to a West German company that exported thiodiglycol to Iran. The sale of thiodiglycol to Iran, Iraq and Syria is prohibited by federal law.

Jan. 31—Attorney General Richard Thornburgh announces the establishment of interagency task forces in New York, Chicago, Denver, Kansas City (Mo.), San Francisco and Los Angeles to investigate and combat securities and commodities fraud.

In reports released today, the Educational Testing Service announces the results of a study sponsored by the National

Science Foundation and the U.S. Department of Education. The study shows that U.S. 13-year-olds placed well below the mean in science, and placed last in mathematics in tests given to 24,000 children in the U.S., West Europe, Canada and South Korea.

The Census Bureau says that its projections show that the U.S. population will peak at 302 million people and will then decline in the 21st century.

## Economy

Jan. 6—The Labor Department reports that the nation's unemployment rate for 1988 averaged 5.4 percent, declining for the 5th year in a row; in December, 1988, the rate was 5.3 percent.

Jan. 13—The Labor Department says that its producer price index rose 0.4 percent in December and 4.0 percent for all of 1988.

Jan. 18—The Commerce Department reports that the nation's foreign trade deficit rose sharply to \$12.5 billion in November.

Jan. 19—The Labor Department announces that its consumer price index rose 0.3 percent in December and 4.4 percent for all of 1988.

Jan. 24—Chairman of the Federal Reserve Board Alan Greenspan says "current inflation rates clearly are too high and must be brought down."

Jan. 26—The New York Stock Exchange's Dow Jones industrial average of 30 blue-chip stocks closes at a new high of 2,291.07.

Jan. 27—The New York Stock Exchange's Dow Jones industrial average of 30 blue-chip stocks closes at 2,323.86.

The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 2 percent in the last quarter of 1988.

Jan. 31—For the 6th time in a row, the Dow Jones industrial average rises; it closes at 2,342.32, its highest level since the October, 1987, market crash.

## Foreign Policy

(See also *Intl*, *UN*; *Afghanistan*; *Germany*, *West*; *Libya*; *U.S.S.R.*)

Jan. 4—Two U.S. Navy F-14 fighters down 2 Libyan MiG-23 planes over international waters off Libya in the Mediterranean Sea. The U.S. claims the Libyan fighters showed "clear hostile intent," while Libya says its fighters were on a routine patrol and were the victims of "a premeditated attack."

Deputy White House press secretary Roman Popadiuk reports that President Reagan will support a Soviet proposal for a conference on human rights in Moscow in 1991.

Jan. 5—At a news briefing, the Defense Department says that video tapes from the U.S. F-14's involved in shooting down 2 Libyan planes show that the Libyan MiG-23 planes carried missiles.

Jan. 7—Secretary of State George Shultz presents a West German representative with what the U.S. calls evidence of a West German company's involvement in building a chemical plant in Libya able to produce chemical weapons; West Germany has denied that a West German company helped to build such a plant.

Jan. 11—The State Department says that President Reagan has decided to reduce the immigration quotas for Southeast Asian refugees in order to increase the quotas for Soviet refugees.

Jan. 28—U.S. officials say that since the end of the Iran-Iraq war Iran has been building a stockpile of chemicals for use in chemical warfare. The U.S. Customs Service reports that Iranian diplomats in West Germany bought chemicals from

West German and U.S. companies and sent them to Iran.

At a conference in Moscow between U.S. and Soviet officials, senior Soviet military officials reveal for the 1st time that Soviet nuclear warheads were deployed in Cuba before the Cuban Missile Crisis of 1962.

Jan. 31—The State Department says that U.S. mediators have met over the last several days with Sudanese guerrilla leader Mansour Khalid in an effort to end the 5-year civil war in Sudan.

### Labor and Industry

Jan. 13—The Labor Department puts new restrictions on the use of 376 possibly toxic and hazardous substances in the work place, to be enforced by September, 1989.

Jan. 19—The government subpoenas 250 traders at the Chicago Board of Trade and the Chicago Mercantile Exchange, the nation's 2 largest commodities exchanges. For the last 2 years, the Federal Bureau of Investigation (FBI) has been investigating allegations that some traders have defrauded investors.

Jan. 24—The Justice Department files a felony count indictment of mail and securities fraud against Drexel Burnham Lambert Inc.; the firm is currently negotiating fines and penalties over civil charges brought by the Securities and Exchange Commission in September.

Jan. 25—The government issues 100 more subpoenas to traders at the Chicago commodities exchanges.

Jan. 30—Global Motors Inc., the U.S. importer of the Yugo, a Yugoslavian-made subcompact car, files for bankruptcy protection under Chapter 11. Yugo dealers have an unsold inventory of some 12,000 cars.

### Legislation

Jan. 3—The 101st Congress begins its 1st session.

Jan. 4—As presiding officer of the Senate, Vice President George Bush officially announces to Congress his election as the 41st U.S. President and the election of Dan Quayle as Vice President.

### Military

Jan. 5—Defense Secretary Frank Carlucci approves plans to close or reduce the strength of 145 military bases around the country.

Jan. 31—President Bush says that he will clean up the scandal-ridden military procurement system.

### Political Scandal

Jan. 2—Speaking about the subpoenas received by President Ronald Reagan and Vice President George Bush to testify as witnesses in the conspiracy trial of former National Security Council aide Oliver North, a White House spokesman declares that it would be "unprecedented for a President to appear as a witness in a criminal trial."

Jan. 3—Secretary of State George Shultz and former White House chief of staff Donald Regan are subpoenaed as witnesses in the Iran-contra conspiracy trial of Oliver North.

Jan. 5—Independent prosecutor Lawrence E. Walsh moves to dismiss 2 main charges against Oliver North; he says that without the classified government documents that the administration refuses to make available, a trial is impossible; 12 lesser charges against North remain.

Jan. 9—U.S. District Court Judge Gerhard Gesell asks Attorney General Richard Thornburgh to certify that classified evidence on 2 main charges against Oliver North cannot be disclosed without damaging national security.

Jan. 13—Judge Gesell dismisses 2 criminal charges against Oliver North, saying he would be "totally powerless" to try North on those charges without the classified documents withheld by the Reagan administration.

Jan. 17—A report by the Office of Professional Responsibility of the Department of Justice says that former Attorney General Edwin Meese 3d conducted himself in a manner that "should not be tolerated of any government employee, especially not the Attorney General." Meese's attorneys call the report "a travesty of justice."

Jan. 27—In U.S. District Court in Virginia, Judge Albert Bryan sentences political extremist Lyndon H. LaRouche Jr. to 15 years in jail for attempting to defraud the Internal Revenue Service (IRS) and for committing mail fraud.

Jan. 30—Judge Gerhard Gesell declines to dismiss a subpoena of former President Ronald Reagan to testify in the trial of Oliver North. The judge rules out a demand for President Bush to testify, saying that Bush has no "relevant or material" knowledge of North's actions.

Jan. 31—The trial of former National Security Council aide Oliver North begins in Washington, D.C.

### Politics

Jan. 18—Lee Atwater is elected chairman of the Republican National Committee.

### Supreme Court

Jan. 10—In a unanimous decision, the Supreme Court upholds a lower court ruling that permits the state of Illinois to levy a 5 percent tax on long distance and data transmission telephone calls.

Jan. 18—In an 8-1 decision, the Court upholds the Sentencing Reform Act of 1984 establishing uniform sentencing procedures for the federal court system, which became effective November 1, 1987; the act sharply limits the discretion that judges previously exercised. The Court agreed to hear the case without waiting for an appeals court ruling.

Jan. 23—In a 6-3 decision, the Court upholds a lower court ruling that a Richmond, Virginia, law designed to channel 30 percent of public works funds to minority-owned construction firms is unconstitutional; because of this decision, many affirmative action programs in 36 states may be held invalid.

In a 5-4 decision, the Court overrules a lower court ruling and says no search warrant is necessary for low-level helicopter surveillance.

### VIETNAM

Jan. 14—Vietnam's Deputy Foreign Minister Dinh Nho Liem travels to Beijing for talks with Chinese officials about Cambodia. These are the 1st direct talks between Vietnam and China since 1979.

Jan. 19—Vietnamese and Chinese representatives end 4 days of direct talks in Beijing.

Jan. 20—It is announced in Hanoi that Prime Minister Nguyen Van Linh plans to visit India this month.

Jan. 26—Vietnamese sources report that China and Vietnam have reached a general agreement on the withdrawal of Vietnamese troops from Cambodia. The pact calls for the complete withdrawal of Vietnamese troops by the end of September, 1989, and the end of Chinese aid to the Khmer Rouge guerrillas once the Vietnamese withdrawal has been achieved.

### YUGOSLAVIA

(See also *U.S., Labor and Industry*)

Jan. 11—The government and the party leadership of Montenegro resign after 2 days of demonstrations in Titograd.

Jan. 19—Ante Markovic is selected as Yugoslavia's new Prime Minister, replacing Branko Mikulic, who resigned in December, 1988. ■



# Current History

## SPECIAL DISCOUNTS FOR BULK PURCHASE

### Save One Third!

Current History is now offering special discounts for orders of 10 or more copies of the same issue, and for 10 or more subscriptions mailed to the same address.

#### Academic Year 1988-1989

- ☐ China, 1988 (9/88)
- ☐ The Soviet Union, 1988 (10/88)
- ☐ West Europe (11/88)
- ☐ Central America, 1988 (12/88)

- ☐ Toward the 21st Century:  
Special 75th Anniversary Issue (1/89)
- ☐ The Middle East, 1989 (2/89)
- ☐ South America, 1989 (3/89)
- ☐ East Asia (4/89)
- ☐ Africa, 1989 (5/89)

#### Still Available

- ☐ Africa, 1988 (5/88)
- ☐ Japan (4/88)
- ☐ Canada (3/88)
- ☐ The Middle East, 1988 (2/88)
- ☐ South America, 1988 (1/88)
- ☐ Central America, 1987 (12/87)
- ☐ East Europe (11/87)
- ☐ The Soviet Union, 1987 (10/87)
- ☐ China, 1987 (9/87)
- ☐ Africa, 1987 (5/87)

- ☐ Southeast Asia (4/87)
- ☐ Mexico (3/87)
- ☐ The Middle East, 1987 (2/87)
- ☐ South America, 1987 (1/87)
- ☐ Central America in Turmoil (12/86)
- ☐ West Europe (11/86)
- ☐ The Soviet Union, 1986 (10/86)
- ☐ China, 1986 (9/86)
- ☐ Africa, 1986 (5/86)
- ☐ The Western Pacific (4/86)

**Quantity Discount Price:** 10 or more copies of the same issue, \$2.75 per copy—savings of 35 percent (single copy price, \$4.25).  
Copies more than two years old: \$5.25 per copy.

**Quantity Subscription Price:** 10 or more subscriptions mailed to the same address: \$24.25 per 1-year subscription.

**One-year subscription:** \$29.00 **Two-year subscription:** \$57.00 **Three-year subscription:** \$85.00

#### CURRENT HISTORY BINDER

A sturdy, hardcover binder at a reasonable cost will protect *Current History* for permanent reference. The easy-to-use binder holds a year of *Current History* securely in place over flexible steel rods.

CURRENT HISTORY • 4225 Main Street • Philadelphia, Pa. 19127

- ☐ 1 year US\$29.00
- ☐ 2 years US\$57.00
- ☐ 3 years US\$85.00
- ☐ Please send me the issues I have indicated in the quantities I have marked.
- ☐ Current History Binders at US\$8.95

Name .....

Address .....

City .....

State .....

Zip Code .....

☐ Check enclosed. ☐ Bill me. Add US\$4.50 per year for Canada; US\$4.50 per year for foreign.  
All these offers are good only on new orders mailed directly to the publisher.  
Specific issue price and bulk subscription prices are based on a single mailing address for all issues ordered.